

KNYSNA

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2008

Index

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	3 - 9
Report of the Chief Financial officer	10 - 14
Statement of Financial Position	15
Statement of Financial Performance	16
Statement of Changes In Net Assets	17
Cash Flow Statement	18
Accounting Policies	19 - 32
Notes to the Financial Statements	33 - 54
APPENDICES	
A Schedule of External Loans	55
B Analysis of Property, Plant and Equipment	56 - 57
C Segmental Analysis of Property, Plant and Equipment	58
D Segmental Statement of Financial Performance - Municipal Votes	59
D (1) Segmental Statement of Financial Performance - GFS Classifications	60
E (1) Actual Versus Budget (Revenue and Expenditure)	61
E (2) Actual Versus Budget (Acquisition of Property, Plant and Equipment)	62
F Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	63
G Appendix G: Implementation plan to comply with the requirements of General Recognised	64 - 65

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

E R J Bouw-Spies	Executive Mayor
Rev D J Kemoetie	Deputy Executive Mayor [Chairperson: Finance, Economic Development and Governance Committee]
A N H Finn	Executive Councillor [Chairperson: Infrastructure Development & Integrated Human Settlements Committee]
V M Molosi	Executive Councillor [Chairperson: Community Services Committee]

AUDITORS

Auditor-General
Private Bag X96, Bellville 7535

BANKER

Nedbank Corporate
P O Box 472, Knysna
6570

REGISTERED OFFICE

Civic Centre Queen Street Knysna	P O Box 21 Knysna 6570	Tel 044 - 302 6300 Fax 044 - 302 6333
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MUNICIPAL MANAGER

Mr J B Douglas

CHIEF FINANCIAL OFFICER

Mr G S Easton

LEGAL FORM

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution

JURISDICTION

Greater Knysna area which includes:
Knysna
Sedgefield
Rheenendal
Karataru
Brenton
Belvidere
Knoetzie

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations



2007 / 2008

MEMBERS OF THE KNYSNA MUNICIPALITY

WARD	COUNCILLOR	
1	Nayler	T
2	Jule	M L
3	Matungana	A G
4	Loliwe	S R
5	Botha	J K A
6	Kemoetie	D J
7	Koti	N E
8	Molosi	V M
Proportional	Botha	C G
Proportional	Bouw-Spies	E R J
Proportional	Finn	A N H
Proportional	Dawson	R A
Proportional	Joyi	W
Proportional	Mc Combi	H J
Proportional	Oktober	R E
Proportional	Wolmarans	G

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 65 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.


J B Douglas
Municipal Manager

28-08-08
Date

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE KNYSNA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Knysna Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 54.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1, and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3)(a) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Knysna Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Knysna Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1, and in the manner required by the MFMA and DoRA.

Emphasis of matters

Without qualifying my audit opinion, I draw attention to the following matters:

Amendments to the applicable basis of accounting

11. As set out in accounting policy note 1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 522 of 2007*, issued in *Government Gazette 30013 of 29 June 2007*.

Unauthorised expenditure

12. As disclosed in note 41.1 to the financial statements, unauthorised expenditure totalling R8 419 916 was incurred as a result of over-expenditure on the approved budget. The unauthorised expenditure was approved by council on 31 July 2008.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

13. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
The municipality had an audit committee in operation throughout the financial year.	■	
The audit committee operates in accordance with approved, written terms of reference.	■	
The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	■	
Internal audit		
The municipality had an internal audit function in operation throughout the financial year.	■	
The internal audit function operates in terms of an approved internal audit plan.	■	
The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	■	
Other matters of governance		
The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	■	
The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		■
The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.	■	
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	■	

The prior year's external audit recommendations have been substantially implemented.	■	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	■	
The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	■	
The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	■	

Unaudited supplementary schedules

14. The supplementary information set out on pages xx to xx does not form part of the annual financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

15. I have reviewed the performance information as set out on pages xx to xx.

Responsibility of the accounting officer for the performance information

16. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

17. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
18. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

19. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

Content of the integrated development plan

20. The cost, resources and time used to produce outputs in accordance with the input indicators for each of the development priorities and objectives referred to in section 26(c) of the MSA were not determined, as required by section 13(3) of the Local Government: Municipal Planning and Performance Management Regulations, 2001, issued in *GNR.796 of 24 August 2001*.
21. Key performance indicators were not set for all employees and service providers, as required by section 9(2)(b) of the Local Government: Municipal Planning and Performance Management Regulations, 2001, issued in *GNR.796 of 24 August 2001*.
22. The performance targets set by the municipality were not in all instances practical and realistic, as required by section 12(2) of the Local Government: Municipal Planning and Performance Management Regulations, 2001, issued in *GNR.796 of 24 August 2001* and measurable, as required by section 41(1)(b) of the MSA. The key performance indicators and performance targets were also not made known to the general public, as required by section 44 of the MSA.
23. The municipality's performance management system does not indicate that key performance indicators must be reviewed annually as part of the performance review process and whenever the municipality amends its integrated development plan, as required by section 11 of the Local Government: Municipal Planning and Performance Management Regulations, 2001, issued in *GNR.796 of 24 August 2001*.

Content of the performance report

24. The annual performance report does not disclose measures that were, or are to be, taken to improve performance, as required by section 46(1)(a)(iii) of the MSA.

Lack of sufficient appropriate audit evidence

25. The following actual achievement of indicators could not be substantiated by sufficient appropriate evidence:

Key performance indicator	Unit of measurement	Target 2007-08	Actual 2007-08
Ensure that a significant number of youth and woman receive relevant training	Number of youth trained	60	159
	Number of women trained	60	74
Roads infrastructure – to develop and maintain the roads infrastructure of Knysna	- Pavement management system with priorities for current financial year updated and approved - Actual expenditure of CAPEX and OPEX budgets - SDBIP targets met - Projects completed according to specifications/ standards and signed off by director: Technical Services	Total operating cost of road construction and maintenance function: Accumulated – 2 280	2 028
Sewerage infrastructure – to develop and maintain the sewerage infrastructure of Knysna	- Formal maintenance programme adopted and monitored - Budget expenditure programme submitted to municipal manager - Actual expenditure of CAPEX and OPEX budgets	Formal maintenance programme – sewerage	–

26. A comprehensive, integrated performance management system to ensure that performance information is valid, accurate and complete has not yet been implemented by the municipality.

APPRECIATION

27. The assistance rendered by the staff of the Knysna Municipality during the audit is sincerely appreciated.

Auditor-General
Cape Town

30 November 2008



A U D I T O R - G E N E R A L

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Knysna Municipality for the fiscal year 2007/08.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

These are the second set of Financial Statements presented in terms of the latest variant of Generally Recognised Accounting Practices (GRAP) as complicated by various National Treasury edicts.

This means in effect that some figures reported in the 2006/07 Financial Statements have had to be restated.

This makes year on-year financial comparisons problematic but at least they are beginning to give some idea of Knysna's financial position over time.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure are within acceptable norms and indicate good governance of the funds of the municipality. There have been serious concerns in regard to the income of council as a result of the national economic downturn and the Eskom issue. The continued, albeit marginal, improvement in the number of days that debtors are outstanding lends credence to our continued intelligent budgeting policies backed up by our proactive debt collection and continuously improving customer information systems. It should be noted that the calculation is based on gross figures ie excluding the Bad Debt Provision. A word of caution going forward is that this position is not expected to continue in its positive direction.

Financial Statement Ratios:

INDICATOR	2008	2007
Surplus / (Deficit) before Appropriations	12,813,563	(6,026,292)
Surplus / (Deficit) at the end of the Year	(18,537,089)	426,823
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	31.10%	40.30%
Remuneration of Councillors	1.29%	1.41%
Bad Debts	0.44%	1.64%
Collection Costs	0.01%	0.03%
Depreciation	8.15%	7.54%
Impairment loss	0.48%	0.00%
Repairs and Maintenance	6.59%	5.94%
Interest Paid	5.51%	4.42%
Unamortised Discount	0.01%	0.00%
Actuarial Losses	1.20%	0.00%
Bulk Purchases	13.52%	12.08%
Contracted Services	4.13%	3.34%
Grants and Subsidies Paid	1.90%	1.94%
Operating Grant Expenditure	9.01%	3.13%
General Expenses	16.68%	18.24%
Current Ratio:		
Creditors Days	16	16
Debtors Days	92	93

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

The overall operating results for the year ended 30 June 2008 are as follows:

DETAILS	Actual 2007/2008 R	Actual 2006/2007 R	Percentage Variance %	Budgeted 2007/2008 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	426,823	54,470,251	-99.22%	-	-
Operating income for the year	294,312,248	271,397,590	8.44%	323,380,420	-8.99%
Appropriations for the year	(31,777,475)	(48,372,214)	-34.31%	-	-
	262,961,596	277,495,627	-5.24%	323,380,420	-18.68%
Expenditure:					
Operating expenditure for the year	281,498,685	277,423,881	1.47%	273,078,780	3.08%
Sundry transfers	-	(355,077)	-100.00%	-	-
Closing surplus / (deficit)	(18,537,089)	426,823	-4443.04%	50,301,640	-
	262,961,596	277,495,627	-5.24%	323,380,420	-18.68%
	-	-		-	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 71,620,629 (2006/2007: R 73,000,789), and in percentage terms amounts to 68.34% of budget. Whilst this figure appears low it must be noted that there were a number of complex extenuating circumstances that impacted upon our ability to undertake expenditure which were not finance related. Full details of Property, Plant and Equipment are disclosed in note number 12 and appendices B, C and E (2) to the Annual Financial Statements.

The capital expenditure of R 71,620,629 was financed as follows:

DETAILS	Actual 2007/2008 R	Budgeted 2007/2008 R	Percentage Variance %	Source of funding as % of total Cap exp
Capital Replacement Reserve	2,634,837	234,230	1024.89%	3.68%
External Loans	24,412,435	43,299,570	-43.62%	34.09%
Grants and Subsidies	38,023,819	53,413,000	-28.81%	53.09%
Public Contributions	6,549,538	7,848,870	-16.55%	9.14%
	71,620,629	104,795,670	-31.66%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2008
<i>Variance per Category:</i>	
Budgeted surplus before appropriations	50,301,640
Revenue variances	(29,068,172)
Expenditure variances:	
Executive and Council	(5,108,293)
Corporate Services	(309,054)
Strategic Services	724,804
Financial Services	(712,566)
Community Services	(4,689,140)
Planning & Building Services	-
Electrical Services	312,606
Technical Services	1,361,727
Actual surplus before appropriations	12,813,553

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

	Actual 2007/2008 R	Budgeted 2007/2008 R	Variance actual/ budgeted R
Executive and Council	193,740	-	193,740
Corporate Services	130,475	-	130,475
Strategic Services	579,221	3,161,500	(2,582,279)
Financial Services	1,527,234	921,670	605,564
Community Services	34,453,897	35,718,800	(1,264,903)
Electrical Services	14,585,090	19,972,000	(5,261,381)
Technical Services	20,150,973	45,021,700	(24,870,727)
	<u>71,620,629</u>	<u>104,795,670</u>	<u>(33,049,512)</u>
			-

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of variances of more than 5% from budget, are included in Appendix "E (2)".

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2008 was R 121,840,164 (30 June 2006: R 109,201,733).

New loans to the amount of R 27,417,417 (2006/2007: R 22,438,976) were taken up during the financial year to enable the municipality to finance part of its capital requirements.

Refer to Note number 3 and Appendix "A" for more detail.

7. NON-CURRENT PROVISIONS

Non-current Provisions amounted R 48,370,567 as at 30 June 2008 (30 June 2007: R 41,273,203) and are made up as follows:

Provision for Post Retirement Benefits	38,672,156
Provision for Ex-Gratia Pension Benefits	547,631
Provision for Long Service Awards	3,262,178
Provision for Rehabilitation of Landfill-sites	61,102
Provision for Clearing of Alien Vegetation	<u>5,827,500</u>
	<u>48,370,567</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note number 4 for more detail.

8. CURRENT LIABILITIES

Current Liabilities amounted to R 88,883,070 as at 30 June 2008 (30 June 2007: R 70,200,487) and are made up as follows:

Consumer deposits	Note number 5	7,944,237
Provisions	Note number 6	8,034,428
Trade payables	Note number 7	12,746,461
Unspent conditional government grants and receipts	Note number 8	24,276,287
Unspent conditional public contributions and receipts	Note number 9	6,486,358
Taxes	Note number 10	-
Short-term loans	Note number 11	-
Operating Lease Liability	Note number 21	380,020
Cash and cash equivalents	Note number 22	15,690,362
Current portion of long-term liabilities	Note number 3	<u>13,324,917</u>
		<u>88,883,070</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

9. INTANGIBLE ASSETS

The net value of Intangible Assets was R 535,333 as at 30 June 2008 (30 June 2007: R 233,023).

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 15 for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R 379,046,428 as at 30 June 2008 (30 June 2007: R 331,247,891).

Refer to Note number 12 and Appendices B, C and E (2) for more detail.

11. INVESTMENTS

The municipality held Investments to the value of R 10,483,810 as at 30 June 2008 (30 June 2007: R 9,278,291).

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities or the collateral on staff housing loans, with the result that no amounts are available for own purposes.

Refer to Note number 17 for more detail.

12. LONG-TERM RECEIVABLES

Long-term Receivables of R 1,010,555 at 30 June 2008 (30 June 2007: R 1,278,738) consist mainly of a loan to Vermont old age home.

Refer to Note number 18 for more detail.

13. CURRENT ASSETS

Current Assets amounted to R 84,007,312 as at 30 June 2008 (30 June 2007: R 81,200,949) and are made up as follows:

Inventory	Note number 18	2,009,695
Trade receivables from exchange transactions	Note number 19	21,811,680
Other receivables from non-exchange transactions	Note number 20	12,879,474
Unpaid conditional government grants and subsidies	Note number 8	3,021,603
Operating Lease Asset	Note number 21	1,640,084
Current portion of long-term receivables	Note number 17	211,569
Cash and cash equivalents	Note number 22	42,433,207
		<u>84,007,312</u>

Refer to the indicated Note numbers for more detail.

14. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these

Refer to Notes number 8, 25 and Appendix F for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 47.

16. DISCLOSURE ISSUES

There are a number of issues which could have an adverse impact upon the municipality in the short term.

There exists a possibility of a collapse in the Sea Wall at Leisure Island. Council is in discussion with a number of participants regarding this. The linkage of this to global warming and higher tides/sea levels is clear and a town like Knysna needs to be fully aware of the risks and potential effects with concomitant financial exposures. Similar to this is the Bigai flood plain and its effect upon certain suburbs and George Rex Drive in particular.

The issue of a Regional Electricity Distributor taking over the electricity function is becoming more likely. Unfortunately however there is still little or no resolution regarding the long term future of electricity surpluses and revenues.

The risk of flooding and in particular flooding in portions of Sedgefield will always be prevalent, the ultimate financial costs of which are beyond Council's ability to manage.

17. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager and Heads of Departments for their support extended during the financial year.

As stated previously these are the second financials produced under the new GRAP standards. The work involved has been highly complex and technical and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.



G.S. EASTON
CHIEF FINANCIAL OFFICER
28 August 2008

KNYSNA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		216,109,951	203,296,387
Housing Development Fund	1	4,791,544	7,259,646
Capital replacement reserve	2	-	-
Capitalisation reserve	2	8,828,279	9,778,806
Government grant reserve	2	182,133,709	151,738,582
Donations and Public Contribution Reserves	2	38,893,508	34,092,531
Revaluation reserve	2	-	-
Accumulated Surplus/(Deficit)		(18,537,089)	426,823
Non-current liabilities		170,210,731	150,474,936
Long-term liabilities	3	121,840,164	109,201,733
Non-current provisions	4	48,370,567	41,273,203
Current liabilities		88,883,070	70,200,487
Consumer deposits	5	7,944,237	7,357,713
Provisions	6	8,034,428	6,573,799
Trade payables	7	12,746,461	12,375,655
Unspent conditional government grants and receipts	8	24,276,287	26,194,543
Unspent conditional public contributions and receipts	9	6,486,358	7,021,499
Taxes	10	-	-
Short-term loans	11	-	-
Operating Lease Liability	21	380,020	118,581
Cash and cash equivalents	22	15,690,362	446,124
Current portion of long-term liabilities	3	13,324,917	10,112,574
Total Net Assets and Liabilities		475,203,752	423,971,810
ASSETS			
Non-current assets		391,196,439	342,770,861
Property, plant and equipment	12	379,046,428	331,247,891
Non-current assets held for sale	13	5,171	-
Investment property	14	115,142	732,918
Intangible Assets	15	535,333	233,023
Investments	16	10,483,810	9,278,291
Long-term receivables	17	1,010,555	1,278,738
Current assets		84,007,312	81,200,949
Inventory	18	2,009,695	2,174,207
Trade receivables from exchange transactions	19	21,811,680	17,262,279
Other receivables from non-exchange transactions	20	12,879,474	16,742,733
Unpaid conditional government grants and subsidies	8	3,021,603	950,434
Operating Lease Asset	21	1,640,084	1,232,373
Current portion of long-term receivables	17	211,569	276,809
Cash and cash equivalents	22	42,433,207	42,562,113
Total Assets		475,203,752	423,971,810

**KNYSNA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2008**

	Note	2008 R	2007 R <i>Adjusted - Note 35.6</i>	2007 R <i>Previously Reported</i>
REVENUE				
Revenue from Non-exchange Transactions		146,551,773	128,362,431	126,681,696
Taxation revenue		58,234,690	54,150,825	54,150,826
Property rates	23	58,234,690	54,150,825	54,150,826
Transfer revenue		83,254,799	71,257,256	71,257,256
Government grants and subsidies	25	76,705,262	64,343,185	64,343,185
Public Contributions and Donations	26	6,549,538	6,914,070	6,914,070
Other non-exchange revenue		5,062,284	2,954,351	1,273,615
Fines		1,575,417	1,273,615	1,273,615
Third party payments		1,703,881	888,329	-
Stock Adjustments		35,098	-	-
Actuarial gains	4	45,153	-	-
Other		1,702,735	792,407	-
Revenue from Exchange Transactions		147,458,612	142,443,298	143,323,742
Property rates - penalties imposed and collection charges		1,441,956	1,001,059	-
Service charges	24	128,293,165	125,587,599	125,587,599
Rental of facilities and equipment		2,821,000	2,400,062	2,400,062
Interest earned - external investments		6,226,301	5,545,226	5,545,226
Interest earned - outstanding debtors		3,404,140	2,894,418	3,895,477
Licences and permits		1,496,805	1,234,422	2,909,346
Income from agency services		1,717,498	1,674,924	-
Other income	27	1,240,784	1,305,297	2,986,033
Unamortised discount - Interest	17 & 35.6	816,962	800,292	-
Total Revenue		294,010,385	270,805,729	270,005,438
EXPENDITURE				
Employee related costs	28	87,534,375	111,792,384	111,376,494
Remuneration of Councillors	29	3,632,560	3,921,100	3,921,100
Contribution to Bad debts provision	30	1,244,924	4,538,816	4,538,816
Collection costs		37,867	82,584	-
Depreciation and amortisation	12,14 & 15	22,933,726	20,931,024	18,643,324
Impairments		1,343,308	-	-
Repairs and maintenance		18,543,814	16,466,527	19,112,624
Interest paid	31	15,523,735	12,268,493	12,014,551
Unamortised discount - Interest	3	18,044	-	-
Actuarial losses	4	3,383,109	-	-
Bulk purchases	32	38,047,790	33,510,182	33,510,182
Contracted services		11,620,360	9,262,387	-
Grants and subsidies paid	33	5,335,570	5,380,610	5,380,610
Operating Grant Expenditure	App "F"	25,349,976	8,674,419	-
General expenses	34	46,949,527	50,595,356	68,184,998
Total Expenditure		281,498,685	277,423,881	276,682,699
Operating Surplus for the year		12,511,700	(6,618,152)	(6,677,261)
Gains on disposal of property, plant and equipment		301,863	591,861	591,861
SURPLUS/(DEFICIT) FOR THE YEAR		12,813,563	(6,026,292)	(6,085,400)
NET SURPLUS/(DEFICIT) FOR THE YEAR		12,813,563	(6,026,292)	(6,085,400)
Refer to Appendix E(1) for explanation of variances				

KNYSNA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	<u>Housing Development Fund</u>	<u>Capital Replacement Reserve</u>	<u>Capitalisation Reserve</u>	<u>Government Grant Reserve</u>	<u>Donations and Public Contributions Reserve</u>	<u>Revaluation Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	R	R	R	R
2007								
Balance at 30 June 2006	6,698,710	1,550,000	10,869,350	112,694,033	30,536,442	-	54,470,251	216,818,786
Correction of error - Note 36.9	-	-	-	-	-	-	355,077	355,077
Restated balance	6,698,710	1,550,000	10,869,350	112,694,033	30,536,442	-	54,825,329	217,173,864
Net surplus/(deficit) for the year	-	-	-	-	-	-	(6,026,292)	(6,026,292)
Transfer to/from CRR	-	938,080	-	-	-	-	(938,080)	-
Property, plant and equipment purchased	-	(2,488,080)	-	-	-	-	2,488,080	-
Capital grants used to purchase PPE	-	-	-	44,415,806	4,907,289	-	(49,323,095)	-
Transfer to Housing Development Fund	560,937	-	-	-	-	-	(560,937)	-
Offsetting of depreciation	-	-	(1,083,090)	(5,115,573)	(1,306,979)	-	7,505,642	-
Balance at 30 June 2007	7,259,647	-	9,786,260	151,994,266	34,136,752	-	7,970,647	211,147,572
2008								
Correction of error - Notes 36.5 and 36.10	-	-	(7,454)	(255,684)	(44,221)	-	(2,944,027)	(3,251,387)
Change in Accounting Policy - Note 35.5	-	-	-	-	-	-	(4,599,797)	(4,599,797)
Restated balance	7,259,647	-	9,778,806	151,738,582	34,092,531	-	426,823	203,296,388
Net surplus/(deficit) for the year	-	-	-	-	-	-	12,813,563	12,813,563
Transfer to/from CRR	-	2,634,837	-	-	-	-	(2,634,837)	-
Property, plant and equipment purchased	-	(2,634,837)	-	-	-	-	2,634,837	-
Capital grants used to purchase PPE	-	-	-	38,023,819	6,549,538	-	(44,573,356)	-
Transfer from/(to) Housing Development Fund	(2,468,102)	-	-	-	-	-	2,468,102	-
Offsetting of depreciation	-	-	(950,527)	(7,628,692)	(1,748,561)	-	10,327,779	-
Balance at 30 June 2008	4,791,545	-	8,828,279	182,133,709	38,893,508	-	(18,537,089)	216,109,951

KNYSNA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		287,753,802	286,446,918
Cash paid to suppliers and employees		(238,937,173)	(221,890,283)
Cash generated from/(utilised in) operations	38	48,816,629	64,556,634
Interest received		6,226,301	9,440,703
Interest paid		(15,523,735)	(12,014,551)
NET CASH FROM OPERATING ACTIVITIES		39,519,194	61,982,785
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(71,620,629)	(73,000,789)
Proceeds on disposal of fixed assets		323,759	591,861
Increase in Intangible Assets		(152,600)	-
(Increase)/decrease in long-term receivables		540,861	460,732
(Increase)/decrease in non-current investments		(1,205,520)	3,735,355
NET CASH FROM INVESTING ACTIVITIES		(72,114,129)	(68,212,842)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		16,635,268	1,294,700
Increase in consumer deposits		586,524	581,546
NET CASH FROM FINANCING ACTIVITIES		17,221,792	1,876,247
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(15,373,144)	(4,353,810)
Cash and cash equivalents at the beginning of the year		42,115,988	46,469,798
Cash and cash equivalents at the end of the year		26,742,844	42,115,988
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(15,373,144)	(4,353,810)

The Cashflow Statement was restated for the 2006/2007 financial year to comply with the Accounting Policy.

KNYSNA MUNICIPALITY

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost conventions except where otherwise stated.

They have also been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- ◆ General Notice 991 of 2005, issued in Government Gazette no 28095 of 15 December 2005; and
- ◆ General Notice 992 of 2005, issued in Government Gazette no 28095 of 7 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the Municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above stated GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The municipality has elected to early adopt the following requirement(s) although these are exempted in terms of General notice 552 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
IAS 19 (AC 116)	Employee benefits	□ Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 40 (AC 135)	Investment property	□ The entire standard to the extent that the property is accounted for in terms of GAMAP 17
IAS 17 (AC105)	Leases	□ Recognising operating lease payments\receipts on a straight line basis if the amounts are recognised on the basis of cash flows in the lease agreement (IAS 17.33-34 and 50 – 51, SAICA Circular 12/06.8-11)

Comparative figures have been restated as far as is practical to take cognisance of changes in Accounting Standards.

The effect of the change in accounting policy arising from the implementation of GAMAP, GRAP and GAAP is set out in note 35.

A summary of the principal accounting policies are disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand rounded to the nearest rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. SET-OFF

Assets, liabilities, revenues and expenses have not been offset except where set-off is required or permitted by a Standard of GAMAP, GRAP or GAAP.

5. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the

Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

In terms of a recommendation made by the Housing department in July 2006, Council approved the write off and transfer of all residential properties with outstanding loan balances at no cost on the 31 August 2007.

6. RESERVES

6.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount of the call investment deposits has been ring-fenced and can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilized.

6.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at that time and which had historically been utilised for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of Circular 18 issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring transfers from this reserve equals the depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment which has been financed from former provincial funds is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the amount of the Government Grant recorded as revenue in the Statement of Financial Performance as required by Circular 18 issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this Reserve is to promote consumer equity by ensuring transfers from this reserve equals the depreciation expenses that will be incurred over the useful lives of these assets.

When an item of property, plant and equipment which has been financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and/or donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the amount of the donations and/or public contributions recorded as revenue in the Statement of Financial Performance as required by Circular 18 issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this Reserve is to promote consumer equity by ensuring transfers from this reserve equals the depreciation expenses that will be incurred over the useful lives of these assets.

When an item of property, plant and equipment which has been financed from donations and/or public contributions is disposed of, the balance in the reserve relating to such item is transferred to the accumulated surplus/(deficit).

7. PROPERTY, PLANT AND EQUIPMENT (PPE)

7.1 General

7.1.1 PPE is stated at its carrying value which is:

- At cost less accumulated depreciation and impairment losses in respect of purchased assets, or
- At fair value at date of acquisition less accumulated depreciation and impairment losses in respect of assets acquired by grant or donation.

7.1.2 Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

7.2 Depreciation and impairment losses

Depreciation is calculated on cost or fair value using the straight-line method, which is expensed over the estimated useful lives of the assets. The depreciation rates are determined by applying the following general estimated useful lives.

	Years		Years
Infrastructure		Other	
Roads and Paving	10-25	Buildings	30
Pedestrian Malls	20	Vehicles	7
Electricity	20-30	Specialist Vehicles	10 – 20
Water	15-20	Office Equipment	3-7
Sewerage	15-20	Furniture and Fittings	5-7
Housing	30	Watercraft	15
		Bins and Containers	5

Community		Specialised Plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other Plant and	
Security	5	Equipment	2-5
		Landfill sites	20

The estimated useful lives and the depreciation methods were not reviewed as is required by GAMAP 17 as these requirements have been exempted in terms of General notice 552 of 2007.

7.2.2 Heritage assets, which are defined as culturally significant resources, are not depreciated as they are regarded as having an indefinite life.

7.2.3 Land is also not depreciated for the same reason as in 7.2.2 above.

7.2.4 Assets in the course of construction are stated at historic cost. Depreciation only commences when the asset is brought into use.

7.3 Disposal of assets

- Assets are written off on disposal or withdrawal from service.
- The difference between the carrying amount of assets and the sales proceeds is reflected as a profit or loss in the Statement of Financial Performance.

7.4 Impairment

For the year under review, the municipality did not perform impairment testing on its assets as is required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General notice 552 of 2007.

7.5 Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions.

8. INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and impairment losses.

Amortisation is charged on a straight-line basis over their useful lives. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

For the year under review, the municipality did not capitalise Intangible Assets as is required by IAS 38 / AC 129 except for website costs and software as these requirements have been exempted in terms of General notice 552 of 2007.

9. INVESTMENT PROPERTY

Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

All properties held to earn rental income or for capital appreciation or both but which are not used for administrative purposes, and which will not be sold within 12 months, are classified as Investment Properties.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

11. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

11.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Unlisted Investments (Local Authority Stock)
- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash
- Operating lease assets

The *Financial Assets* of the municipality are presently classified as follows into three categories:

Type of Financial Asset	Classification in terms of IAS 39.09
Listed Investments	Held at fair value through profit or loss
Unlisted Investments	Held at fair value through profit or loss
Investments in Fixed Deposits	Held to maturity
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits	Held to maturity
Bank Balances and Cash	Held to maturity

11.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Provisions
- Creditors
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Defined Benefit Obligations
- Consumer Deposits
- VAT
- Operating lease liabilities

Creditors

Creditors are stated at their settlement value.

Accrued Leave Pay

Liability for annual leave is recognised as it accrues to employees. Provision is based on the total accrued leave days at year-end.

11.3 Measurement

Financial Assets:

Held-to-maturity investments and loans-and-receivables are initially measured at fair value and subsequently measured at amortised cost. Financial assets are measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities are measured at amortised cost using the effective interest rate method where applicable.

The requirement that financial assets and liabilities (previously instruments) should initially be measured at fair value, have been exempted in terms of General Notice 552 of 2007.

11.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually. These include the following:

Study Loans: (Study Loans, which were previously granted)

Payments made in Advance

Sundry Deposits

Sundry Debtors

Capital Projects: (These are conditional grant accounts with debit balances as at year-end).

Insurance Claims

Government Subsidy Claims

12. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost or net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed for a nominal charge they are valued at that nominal charge being its realisable value.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value having regard to their estimated economic or realisable values.

Non-Purchased Water is valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Items of immovable capital assets that meet the definition of inventory have not been accounted for as inventory as this requirement of GAMAP 12 has been exempted in terms of General notice 552 of 2007.

13. REVENUE RECOGNITION

Revenue is initially recognised at cost.

The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return has been exempted in terms of General notice 552 of 2007.

13.1 Revenue from Exchange transactions

13.1.1 General

Revenue, which excludes value-added taxation where applicable, is derived from a variety of sources.

Revenue is recognised during the reporting period in which economic benefits or service potential flow to the municipality and these benefits can be measured.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered. This includes the issuing of licences and permits.

13.1.2 Electricity and Water

Service charges relating to electricity and water are based on consumption except in the case of prepaid sales of these services. Meters are scheduled to be read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period during which meters have been read. These adjustments are recognised as revenue in the invoicing period.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

13.1.3 Refuse Removal

Charges for refuse removal are recognised on an annual basis by applying the approved tariff to each property. Tariffs are determined per category of property usage.

13.1.4 Sewerage and Sanitation

Charges for sewerage and sanitation services are levied annually and are based on the type of service available to the property, applying the tariffs approved by Council.

13.1.5 Pre-paid electricity and water

Revenue from the sale of prepaid electricity and water is recognised on receipt.

An estimate is made for the unused portion of pre-paid revenue based on sales of pre-paid services during the last 10 days of the financial year.

13.1.6 Interest and sundry revenue earned

Interest and sundry revenue is recognised on an accrual basis.

13.1.7 Dividends

Dividends are recognised on the dividend declaration date.

13.1.8 Income from agency services

Income for agency services is recognised on a monthly basis once the amount collected on behalf of principals has been quantified. Income is recognised in terms of the agreements.

13.1.9 Housing rental and instalments

Income in respect of housing rentals and instalment sales agreements, is accrued monthly.

13.1.10 Sale of goods

Income from the sale of goods is recognised when ownership passes.

13.1.11 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met.

Where public contributions have been received but the municipality has not met the requisite condition, a liability is recognised in the Statement of Financial Position.

13.2 Revenue from Non-exchange Transactions

13.2.1 Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on an accrual basis.

Rebates, granted to certain categories of ratepayers, are deducted from revenue in the financial statements but treated as an expense in the budget in accordance with paragraph 15(4)(b) of the Property Rates Act.

13.2.2 Fines

Fines constitute both spot fines and those flowing from summonses. Revenue from spot fines is recognised when payment is received. Revenue arising from the issuing of summonses is only recognised when collected by the Courts. Due to the various legal processes applicable to summonses and the uncertainty as to the final decision of the Courts, it is not possible to measure this revenue when the summons is issued.

13.2.3 Donations and Contributions

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

The value of the contributed property, plant and equipment is recognised as an asset when such items are brought into use.

13.2.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible parties is virtually certain.

14. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in any agreement attaching to such revenue.

To the extent that the criteria, conditions or obligations have not been met, a liability is recognised in the Statement of Financial Position.

15. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

16. EMPLOYEE BENEFITS

16.1 Retirement Funds

The Municipality provides retirement benefits for its employees and certain councillors.

16.1.1 Defined Contribution Plan

Defined contributions plans are those under which an employer pays fixed contributions to a separate fund and has no legal or constructive obligation to pay further contributions should the fund not hold sufficient assets to pay all employee benefits.

16.1.2 Defined Benefit Plan

Defined benefit funds are those under which the employer has a liability to make additional contributions if the fund does not hold sufficient assets to pay all employee benefits as defined.

The defined benefit funds which are administered on a provincial basis, are actuarially valued triennially. Any deficits identified are recognised as a liability and are funded either through lump sum payments or increased future contributions.

16.2 Ex-gratia Defined Benefit Obligation

The Municipality provided pension benefits to all employees who were not members of the Pension or Provident Funds, and who had completed at least 10 years of service at the Council on reaching the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by the number of years of service, divided by 60.

In future years the liability will be actuarial computed on an annual basis and the shortfall or surplus in the recorded liability will be adjusted through the financial statements.

16.3 Medical Aid: Continuation Members

Council provides post retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the Medical Aid Funds, with which the Council is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continuation member of such medical aid fund.

An actuarial valuation was done as at 30th June 2008 and the actuarial liability therefore raised as a provision.

In future years the liability will be actuarial computed on an annual basis and the shortfall or surplus in the recorded liability will be adjusted through the financial statements.

17. LEASES

17.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at applicable rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition.

17.2 Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. A finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

18. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance on an accrual basis.

19. VALUE ADDED TAX

The municipality accounts for value Added Tax on the payment basis.

20. GRANTS-IN-AID

The Municipality make grants to organisations and other sectors of society from time to time. When making these grants, the Municipality does not:

- Receive any goods or services as a quid pro quo;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These grants are recognised in the financial statements as expenses during the period in which transfers are made.

21. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted; or expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state; or expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Any recoveries are accounted for as revenue in the Statement of Financial Performance.

23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. Any recoveries are accounted for as revenue in the Statement of Financial Performance.

24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. Any recoveries are accounted for as revenue in the Statement of Financial Performance.

25. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are accounted for in the Statement of Financial Performance.

26. COMPARATIVE INFORMATION

26.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current and prior-year financial year.

26.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified, except as otherwise indicated in the notes to the financial statements. The nature and reason for the reclassification is disclosed.

26.3 Consistency Disclosure

In terms of Government Gazette No. 30013 dated 29 June 2007, the exemptions particular to GRAP 3.14,19 have been applied. Thus the comparatives (ie the 2006/07 accounting policies and disclosures) may not be consistent with the 2007/08 accounting policies and disclosures.

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	4,791,544	7,259,646
Unappropriated Surplus	3,027,003	5,395,009
Loans extinguished by Government on 1 April 1998	1,764,542	1,864,637
Total Housing Development Fund Assets and Liabilities	4,791,544	7,259,646
2 NETT ASSET RESERVES		
RESERVES	229,855,495	195,654,139
Capital Replacement Reserve	-	-
Capitalisation Reserve	8,828,279	9,778,806
Government Grant Reserve	182,133,709	151,738,582
Donations and Public Contribution Reserves	38,893,508	34,136,752
Revaluation Reserve	-	-
Sub-total	229,855,495	195,654,139
Total Nett Asset Reserve Assets and Liabilities	229,855,495	195,654,139
3 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	124,016,948	106,833,813
Local Registered Stock	6,066,512	6,066,512
Capitalised Lease Liability - At amortised cost	1,292,095	1,839,963
Sub-total	131,375,555	114,740,287
Less : Current portion transferred to current liabilities	(13,324,917)	(10,112,574)
Annuity Loans	(9,889,474)	(9,555,153)
Local Registered Stock	(3,023,957)	(9,553)
Finance Leases	(411,487)	(547,868)
Plus: Unamortised charge on loans	3,789,526	4,574,019
Balance 1 July	4,574,019	-
Adjustment for the period	(784,493)	(787,972)
Restatement of prior year comparitives - Note 36.8	-	5,361,991
Total Long-term Liabilities - At amortised cost using the effective interest rate method	121,840,164	109,201,733
The obligations under finance leases are scheduled below:		
	Minimum lease payments	
	2008	2007
Amounts payable under finance leases:		
Payable within one year	542,608	738,817
Payable within two to five years	1,017,995	1,560,603
	1,560,603	2,299,419
Less: Future finance obligations	268,508	459,456
Present value of lease obligations	1,292,095	1,839,963
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance leases. Leases are secured by property, plant and equipment - Note 12		
LOCAL REGISTERED STOCK		
Bear interest at rates between 16% and 19% per annum and are repayable over periods of between one and ten years.		
ANNUITY LOANS		
Bear interest at rates between nil% and 17% per annum. Fixed Deposits of R 10,223,657 (2007: R 9,278,291) and Term Deposit of R 5,571,819 (2007: R 5,068,108) have been pledged to DBSA as guarantees on external loans taken up. (See notes 16 and 22)		
4 NON-CURRENT PROVISIONS		
Non-current provision liabilities		
Provision for Post Retirement Benefits	38,672,156	32,579,300
Provision for Ex-Gratia Pension Benefits	547,631	513,719
Provision for Long Service Awards	3,262,178	2,780,720
Provision for Rehabilitation of Landfill-sites	61,102	53,134
Provision for clearing of Alien Vegetation - Note 35.3	5,827,500	5,346,330
Total	48,370,567	41,273,203
Post Retirement Benefits		
Balance 1 July 2007	33,685,340	-
Contribution for the year	4,101,205	33,685,340
Expenditure for the year	(1,169,999)	-
Actuarial Loss(Gain)	3,319,757	-
Total provision 30 June	39,936,303	33,685,340
Less: Transfer of current portion to current provisions - Note 6	(1,264,147)	(1,106,040)
Balance 30 June	38,672,156	32,579,300
Ex-Gratia Pensions		
Balance 1 July 2007	582,336	-
Contribution for the year	46,587	582,336
Expenditure for the year	(71,710)	-
Actuarial Loss(Gain)	63,352	-
Total provision 30 June	620,565	582,336
Less: Transfer of current portion to current provisions - Note 6	(72,934)	(68,617)
Balance 30 June	547,631	513,719

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
NON-CURRENT PROVISIONS - Continued		
<u>Long Service Awards</u>		
Balance 1 July 2007	3,168,143	-
Contribution for the year	560,355	3,168,143
Expenditure for the year	-	-
Actuarial Loss(Gain)	(45,153)	-
Total provision 30 June	3,683,345	3,168,143
Less: Transfer of current portion to current provisions - Note 6	(421,167)	(387,423)
Balance 30 June	3,262,178	2,780,720
<u>Landfill Sites</u>		
Balance 1 July 2007	631,633	-
Contribution for the year	137,050	631,633
Expenditure for the year	-	-
Actuarial Loss(Gain)	-	-
Total provision 30 June	768,683	631,633
Less: Transfer of current portion to current provisions - Note 6	(707,581)	(578,499)
Balance 30 June	61,102	53,134
<u>Clearing of Alien Vegetation</u>		
Balance on 1 July 2007 before restatement	5,346,330	-
Change in accounting policy - Note 35.3	-	5,346,330
Restated Opening Balance	5,346,330	5,346,330
Contribution for the year	481,170	-
Expenditure for the year	-	-
Actuarial Loss(Gain)	-	-
Total provision 30 June	5,827,500	5,346,330
Less: Transfer of current portion to current provisions - Note 6	-	-
Balance 30 June	5,827,500	5,346,330
<u>TOTAL NON-CURRENT PROVISIONS</u>		
Balance on 1 July 2007 before restatement	43,413,782	-
Change in accounting policy - Note 35.3	-	5,346,330
Restated Opening Balance	43,413,782	5,346,330
Contribution for the year	5,326,367	38,067,452
Expenditure for the year	(1,241,709)	-
Actuarial Loss(Gain)	3,337,956	-
Total provision 30 June	50,836,396	43,413,782
Less: Transfer of current portion to current provisions - Note 6	(2,465,829)	(2,140,579)
Balance 30 June	48,370,567	41,273,203

OTHER DEFINED BENEFIT PLAN INFORMATION

The municipality has elected to recognise the full increase in this defined benefit liability immediately on first-time adoption in the 2006/2007 financial year as per IAS 19, Employee Benefits, paragraph 155 (a). Due to this allowed transitional arrangement, no comparative figures for these liabilities are therefore required and disclosed, however also refer to Accounting Policy 26.3 in this regard.

4.1 Provision for Post Retirement Benefits

The Post Retirement Benefit plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	525	500
Continuation members (e.g. retirees, widows, orphans)	63	62
Total Members	588	562

The liability in respect of past service has been estimated to be as follows:

In-service members	19,015,532	14,913,682
Continuation members	20,920,771	18,771,658
Total Liability	39,936,303	33,685,340

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R 1,845,458, whereas the Interest- Cost for the next year is estimated to be R 4,209,483.

Key actuarial assumptions used:

	%	%
i) Rate of interest		
Discount rate	10.71%	8.00%
Health Care Cost Inflation Rate	9.58%	6.50%
Net Effective Discount Rate	1.03%	1.41%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years.

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
NON-CURRENT PROVISIONS - Continued		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	39,936,303	33,685,340
Fair value of plan assets	-	-
	<u>39,936,303</u>	<u>33,685,340</u>
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	<u>39,936,303</u>	<u>33,685,340</u>
Net liability / (asset)	<u>39,936,303</u>	<u>33,685,340</u>
The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).		
Reconciliation of present value of fund obligation:		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	33,685,340	-
Total expenses	2,931,206	33,685,340
Current service cost	1,406,378	-
Interest Cost	2,694,827	-
Benefits Paid	(1,169,999)	-
Actuarial (gains) / losses	3,319,757	-
Present value of fund obligation at the end of the year	<u>39,936,303</u>	<u>33,685,340</u>
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost components	4,975,821	3,422,141
Effect on the defined benefit obligation	46,921,241	34,350,247
4.2 Provision for Long Service Bonuses		
The Long Service Bonus plans are defined benefit plans. As at year end, 604 employees were eligible for Long Service Bonuses.		
The Current-service Cost for the ensuing year is estimated to be R 366,310 whereas the Interest- Cost for the next year is estimated to be R 380,962.		
Key actuarial assumptions used:		
	%	%
i) Rate of interest		
Discount rate	10.97%	8.00%
General Salary Inflation (long-term)	9.03%	6.00%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.78%	1.90%
	R	R
Present value of fund obligations	3,683,345	3,168,142
Fair value of plan assets -	-	-
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	<u>3,683,345</u>	<u>3,168,142</u>
Net liability / (asset)	<u>3,683,345</u>	<u>3,168,142</u>
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	3,168,142	-
Total expenses	560,355	3,168,142
Current service cost	306,904	-
Vested past service cost	-	3,411,079
Interest Cost	253,451	-
Benefits Paid	-	(242,937)
Actuarial (gains) / losses	(45,152)	-
Present value of fund obligation at the end of the year	<u>3,683,345</u>	<u>3,168,142</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets -	-	-
Contributions : employer	-	-
Contributions : employee	-	-
Past service costs	-	-
Actuarial (gains) / losses	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>
The effect of a 1% movement in the assumed rate of salary inflation is as follows:		
	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost components	606,288	519,461
Effect on the defined benefit obligation	3,933,744	3,457,368
4.3 Provision for the rehabilitation of landfill-sites		
Balance brought forward	53,134	-
Charged / (credited) to the income statement:	7,968	53,134
- Additional provisions	137,050	-
- Contribution to provision - Change in Accounting Policy	-	631,633
Reversal of provision overstated	-	-
Transfer to current portion	(129,082)	(578,499)
Balance 30 June	<u>61,102</u>	<u>53,134</u>
In terms of the licensing of the landfill refuse site, the municipality will incur rehabilitation costs of R 3,5 million to restore the sites at the end of their useful lives, estimated to be in 2008, 2009 and 2023. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.		

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
NON-CURRENT PROVISIONS - Continued		
4.4 Provision for the clearing of alien vegetation		
Balance brought forward	5,346,330	-
Charged / (credited) to the income statement:	481,170	5,346,330
- Additional provisions	481,170	-
- Contribution to provision - Change in Accounting Policy	-	5,346,330
Reversal of provision overstated	-	-
Transfer to current portion	-	-
Balance 30 June	5,827,500	5,346,330
4.5 Retirement funds		
CAPE JOINT PENSION FUND		
This fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2006 (30 June 2005) revealed that the fund had an actuarial surplus of R293,01 (R87,2) million with a funding level of 111,4% (103,4%), and is in a sound financial state as at 30 June 2006.		
CAPE JOINT RETIREMENT FUND		
This fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2006 (30 June 2005) revealed that the fund had an actuarial surplus of R38,58 (R 17,32) million with a funding level of 114% (106,2%) and is in a sound financial position as at 30 June 2006.		
MUNICIPAL COUNCILLORS PENSION		
The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future.		
5 CONSUMER DEPOSITS		
Water	5,156,025	2,583,989
Electricity	2,788,211	4,773,723
Total Consumer Deposits	7,944,237	7,357,713
The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
Guarantees held in lieu of Water Deposits	975,026	864,951
6 PROVISIONS		
Staff Leave liability	4,908,877	4,019,502
Performance Bonuses	659,722	413,719
Current Portion of Non-Current Provisions	2,465,829	2,140,579
Current portion of rehabilitation of landfill sites provision - Note 4	707,581	578,499
Current portion of post retirement benefits - Note 4	1,264,147	1,106,040
Current portion of ex-gratia pension provisions - Note 4	72,934	68,617
Current portion of long-service provision - Note 4	421,167	387,423
Total Provisions	8,034,428	6,573,799
The movement in current provisions are reconciled as follows: -		
	<u>Current portion</u>	<u>Current portion</u>
<u>Post Retirement Benefits</u>		
Balance at beginning of year	1,106,040	-
Transfer from non-current	1,264,147	1,106,040
Contributions to provision	-	-
Expenditure incurred	(1,106,040)	-
Balance at end of year	1,264,147	1,106,040
<u>Long Service Awards</u>		
Balance at beginning of year	387,423	-
Transfer from non-current	421,167	387,423
Contributions to provision	-	-
Expenditure incurred	(387,423)	-
Balance at end of year	421,167	387,423
<u>Ex-Gratia Pensions</u>		
Balance at beginning of year	68,617	-
Transfer from non-current	72,934	68,617
Contributions to provision	-	-
Expenditure incurred	(68,617)	-
Balance at end of year	72,934	68,617
<u>Rehabilitation of Landfill Sites</u>		
Balance at beginning of year	578,499	-
Transfer from non-current	707,581	578,499
Contributions to provision	-	-
Expenditure incurred	(578,499)	-
Balance at end of year	707,581	578,499

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<u>Clearing of Alien Vegetation</u>		
Balance at beginning of year	-	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Balance at end of year	-	-
<u>Staff Leave</u>		
Balance at beginning of year	4,019,502	3,040,463
Transfer from non-current	-	-
Contributions to provision	2,230,094	1,790,441
Contributions to provision - Restatement of prior year underprovided - Note 35.6	-	415,889
Expenditure incurred	(1,340,719)	(1,227,292)
Balance at end of year	4,908,877	4,019,502
<u>Performance Bonuses</u>		
Balance at beginning of year	413,719	240,408
Transfer from non-current	-	-
Contributions to provision	659,722	413,719
Expenditure incurred	(413,719)	(240,408)
Balance at end of year	659,722	413,719
<u>TOTAL - CURRENT PROVISIONS</u>		
Balance at beginning of year	6,573,799	3,280,871
Transfer from non-current	2,465,829	2,140,579
Contributions to provision	2,889,816	2,204,160
Expenditure incurred	(3,895,016)	(1,467,700)
Balance at end of year	8,034,428	6,157,910
Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.		
For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 4 to the Financial Statements, Other Defined Benefit Plan Information		
7 TRADE PAYABLES		
<u>Sundry Payables</u>		
Trade payables	2,158,214	2,125,296
Payments received in advance	3,415,260	2,913,769
Retentions	2,828,324	3,800,279
Hoarding Fees	2,424,398	2,914,116
Other Creditors	1,712,245	458,128
Deposits: Other	208,020	164,066
Total Creditors	12,746,461	12,375,655
Payables being paid within 30 days are being recognised net of discounts.		
8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
8.1 Conditional Grants from other spheres of Government		
Unspent Grants	24,276,287	26,194,543
National Government Grants	17,800,430	16,383,190
Provincial Government Grants	5,926,026	9,707,353
Other Sources	549,831	104,000
Less: Unpaid Grants	3,021,603	950,434
National Government Grants	36,535	41,190
Provincial Government Grants	2,597,475	765,050
Other Sources	387,592	144,194
Total Conditional Grants and Receipts	21,254,684	25,244,109
See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
9 UNSPENT CONDITIONAL PUBLIC CONTRIBUTIONS AND RECEIPTS		
Unspent augmentation fees from developers	6,486,358	7,021,499
	6,486,358	7,021,499
10 TAXES		
VAT payable	-	-
VAT receivable - Note 20	1,227,817	5,403,168
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
11 SHORT-TERM LOANS		
The Municipality has no short term loans		

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

12. PROPERTY, PLANT AND EQUIPMENT

30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Heritage	Leased Assets	Other	Housing	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2007	18,052,577	185,548,066	24,228,379	259,171	1,553,159	17,273,670	84,332,869	331,247,891
Cost	19,591,151	306,945,410	32,185,365	407,569	2,886,000	47,802,186	97,104,305	506,921,987
Accumulated Depreciation	(1,538,574)	(121,397,345)	(7,956,987)	(148,399)	(1,332,841)	(30,528,516)	(12,771,436)	(175,674,096)
Transfers (Cost)	105,751,125	1,963,747	(10,353,366)	241,624	-	(498,825)	(97,104,305)	-
Transfers (Accumulated depreciation)	(14,459,219)	(779,652)	2,262,799	-	-	204,647	12,771,436	11
Acquisitions	28,332,565	34,090,081	795,444	-	-	8,402,539	-	71,620,629
Transfers from (to) Non-current assets held for sale - Note 13	-	-	-	-	-	(5,171)	-	(5,171)
Cost	-	-	-	-	-	(42,238)	-	(42,238)
Accumulated Depreciation	-	-	-	-	-	37,066	-	37,066
Transfers from (to) Investment Properties - Note 14	611,223	-	-	-	-	-	-	611,223
Cost	623,729	-	-	-	-	-	-	623,729
Accumulated Depreciation	(12,506)	-	-	-	-	-	-	(12,506)
Depreciation	(2,604,040)	(13,728,592)	(857,835)	-	(610,383)	(4,998,001)	-	(22,798,851)
Normal depreciation	(2,604,040)	(13,728,592)	(857,835)	-	(610,383)	(4,998,001)	-	(22,798,851)
Backlog depreciation previously not recorded	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	(21,906)	-	(21,906)
Cost	-	-	-	-	-	(1,553,391)	-	(1,553,391)
Accumulated depreciation	-	-	-	-	-	1,531,486	-	1,531,486
Impairment losses	-	(1,238,059)	-	-	-	(91,308)	-	(1,329,367)
Cost	-	(1,238,059)	-	-	-	(118,271)	-	(1,356,330)
Accumulated depreciation	-	-	-	-	-	26,963	-	26,963
Transfer from (to) Intangible Assets - Note 15	-	-	-	-	-	(278,031)	-	(278,031)
Cost	-	-	-	-	-	(1,504,561)	-	(1,504,561)
Accumulated depreciation	-	-	-	-	-	1,226,530	-	1,226,530
Carrying values at 30 June 2008	135,684,230	205,855,591	16,075,421	500,795	942,776	19,987,615	-	379,046,428
Cost	154,298,569	341,761,179	22,627,444	649,194	2,886,000	52,487,440	-	574,709,825
Cost	154,298,569	341,761,179	22,627,444	649,194	2,886,000	52,487,440	-	574,709,825
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(18,614,338)	(135,905,589)	(6,552,023)	(148,399)	(1,943,224)	(32,499,824)	-	(195,663,397)
Cost	(18,614,338)	(135,905,589)	(6,552,023)	(148,399)	(1,943,224)	(32,499,824)	-	(195,663,397)
Revaluation	-	-	-	-	-	-	-	-

30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Heritage	Leased Assets	Other	Housing	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2006	18,201,590	145,742,388	21,399,145	259,171	2,175,213	17,137,853	72,234,697	277,150,057
Cost after restatement	19,591,151	254,757,577	28,332,358	407,569	2,886,000	43,059,517	82,866,410	431,900,582
Cost before restatement	19,591,151	254,757,577	28,332,358	407,569	2,886,000	31,809,088	82,866,410	417,764,153
Correction of error - Note 36.6	-	-	-	-	2,886,000	12,576,324	-	15,462,324
Change in accounting policy - Note	-	-	-	-	-	(1,325,895)	-	(1,325,895)
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation after restatement	(1,389,560)	(109,015,189)	(6,933,213)	(148,399)	(710,787)	(25,921,664)	(10,631,713)	(154,750,525)
Accumulated depreciation before restatement	(1,366,834)	(108,883,722)	(6,924,845)	(148,362)	-	(17,090,566)	(10,631,713)	(145,046,042)
Correction of error - Note 36.6	-	-	-	-	(710,787)	(9,975,323)	-	(10,686,110)
Correction of error - Note 36.6	(22,726)	(131,467)	(8,368)	(37)	-	(62,914)	-	(225,511)
Change in accounting policy - Note 35.4	-	-	-	-	-	1,207,138	-	1,207,138
Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	15,763,639	975,673	-	-	2,646,439	-	19,385,751
Capital under construction	-	36,424,194	2,877,334	-	-	75,614	14,237,896	53,615,038
Correction of error - Cost - Note 36.6	-	-	-	-	-	2,020,616	-	2,020,616
Depreciation	(149,014)	(12,382,156)	(1,023,774)	-	(622,053)	(4,606,852)	(2,139,723)	(20,923,572)
Normal depreciation	(104,372)	(12,069,626)	(995,773)	-	-	(3,326,388)	(2,139,723)	(18,635,882)
Correction of error - Note 36.6	-	-	-	-	(622,053)	(1,280,464)	-	(1,902,517)
Correction of error - WIP not previously depreciated - Note 36.6	(44,642)	(312,530)	(28,001)	-	-	-	-	(385,172)
Carrying values at 30 June 2007	18,052,577	185,548,066	24,228,379	259,171	1,553,159	17,273,670	84,332,869	331,247,891
Cost	19,591,151	306,945,410	32,185,365	407,569	2,886,000	47,802,186	97,104,305	506,921,987
Cost	19,591,151	306,945,410	32,185,365	407,569	2,886,000	47,802,186	97,104,305	506,921,987
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(1,538,574)	(121,397,345)	(7,956,987)	(148,399)	(1,332,841)	(30,528,516)	(12,771,436)	(175,674,096)
Cost	(1,538,574)	(121,397,345)	(7,956,987)	(148,399)	(1,332,841)	(30,528,516)	(12,771,436)	(175,674,096)
Revaluation	-	-	-	-	-	-	-	-

Refer to Appendix B, C and E(2) for more detail on property, plant and equipment, including those in the course of construction.

The leased property, plant and equipment is secured as set out in Note 3.

The Municipality identified other properties, plant and equipment, with opening balances and adjustments during the year.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice.

- Property, Plant and Equipment (GAMAP 17) Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]
- Property, Plant and Equipment (GAMAP 17) Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]
- Property, Plant and Equipment (GAMAP 17) Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]
- Property, Plant and Equipment (GAMAP 17) Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]
- Impairments of Assets (AC 128) Entire Standard
- Intangible Assets (AC 129) The entire standards except for the recognition, measurement and disclosure of the computer software and website costs (AC 432) and all other costs were expensed.
- Non-current Assets Held for Sale and Discontinued Operations (AC142) Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6-14, 15-29 (in so far as it relates to non-current assets held for sale),

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
13 NON-CURRENT ASSETS HELD FOR SALE		
Non-current assets held for sale at beginning of year - at book value	-	-
Additions for the year	5,171	-
Non-current assets sold/written off during the year	5,171	-
Non-current assets held for sale at end of year - at book value	5,171	-
14 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	732,918	740,364
Cost	820,425	820,425
Accumulated Depreciation	(87,507)	(80,061)
Transfer to Property, Plant and Equipment - Note 12	(611,223)	-
Transfer to Property, Plant and Equipment - Cost	(623,729)	-
Transfer to Property, Plant and Equipment - Depreciation	12,506	-
Depreciation for the year	(6,553)	(7,446)
Cost	115,142	732,918
Accumulated Depreciation	196,696	820,425
	(81,554)	(87,507)
Net Carrying amount at 30 June	115,142	732,918
The fair value of Investment Properties, as valued by the municipality's valuer, is estimated at:	9,700,000	17,003,200
Revenue to the amount of R 480,000 was earned from the Investment Properties, which is a return of 4.95% on the fair value of the property.		
Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice. Investment Property (AC 135) Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised investment property in terms of this standard. [Paragraphs 79(e)(i) – (iii)]		
15 INTANGIBLE ASSETS		
Cost	2,301,735	644,574
Opening Balance before restatement	644,574	-
Correction of error - Note 36.7	-	590,742
Opening Balance after restatement	644,574	590,742
Transferred from Property, Plant and Equipment - At cost - Note 12	1,504,561	53,832
Acquisitions for the year - At cost	152,600	-
Less: Accumulated Amortisation	(1,766,402)	(411,551)
Opening Balance before restatement	(411,551)	-
Correction of error - Note 36.7	-	(357,719)
Opening Balance after restatement	(411,551)	(357,719)
Transferred from Property, Plant and Equipment - At cost - Note 12	(1,226,529)	(53,832)
Amortisation	(128,322)	-
Total Intangible Assets	535,333	233,023
The Municipality transferred Intangible Assets (Computer Software) from Property, Plant and Equipment.		
Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice.		
16 INVESTMENTS		
Financial Instruments		
Listed		
Other Fixed Deposits - at fair value	10,483,810	9,278,291
Total Investments	10,483,810	9,278,291
The average interest rate was 10,204% (2007: 8,39%).		
Investments made to serve as collateral security for staff housing loans:	32,433	-
Fixed Deposits of R 10,223,656 (2007: R 9,278,291) have been pledged to DBSA as guarantees on external loans taken up.		
Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.		
17 LONG TERM RECEIVABLES		
Staff Car Loans - At amortised cost	96,450	352,892
Provincial Government Housing Loans - At amortised cost	-	137,719
Staff Housing loans - At amortised cost	67,599	93,342
Old Age Homes - At amortised cost	1,764,542	1,885,498
Sundry deposits - At amortised cost	13,300	13,300
	1,941,890	2,482,751

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R	
Less: Unamortised Discount on Loans	(16,695)	(31,120)	
Balance 1 July	(31,120)	-	
Adjustment for the period	14,425	-	
Change in Accounting Policy - Note 36.4	-	(43,440)	
Restatement of prior year comparitives - Note 35.6	-	12,320	
Less : Current portion transferred to current receivables	(211,569)	(276,809)	
Staff Loans - At amortised cost	(110,729)	(176,713)	
Old Age Homes - At amortised cost	(100,840)	(100,096)	
Less: Provision for Impairment of Long Term Receivables	(703,071)	(896,084)	
Total Long Term Receivables	1,010,555	1,278,738	
The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.			
The total amount of the provision for doubtful debts created is R 703,071 (2007 = R 896,084) and the following loans and receivables are included therein:			
Staff Car Loans - At amortised cost	-	-	
Provincial Government Housing Loans - At amortised cost	-	137,719	
Staff Housing loans - At amortised cost	-	-	
Old Age Homes - At amortised cost	703,071	758,365	
Sundry deposits - At amortised cost	-	-	
Total Provision for Bad Debts on Other Debtors	703,071	896,084	
Reconciliation of Provision for Bad Debts			
Balance at beginning of year	896,084	-	
Contribution to provision	(168,758)	896,084	
Bad Debts written off	(24,255)	-	
Balance at end of year	703,071	896,084	
STAFF VEHICLE LOANS			
Vehicle loans are no longer granted. The outstanding amount relates to prior years and is still collectable.			
STAFF HOUSING LOANS			
Staff housing loans are no longer granted. The outstanding amount relates to prior years and is still collectable.			
OLD AGE HOMES			
New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum.			
18 INVENTORY			
Consumable Stores - Stationery and materials - At cost	608,079	542,695	
Maintenance Materials - At cost	1,091,248	1,345,009	
Water - At purification cost	299,943	281,240	
Spare parts - At cost	10,425	5,263	
Total Inventory	2,009,695	2,174,207	
The municipality recognised only purification costs in respect of non-purchased purified water inventory.			
Consumable stores materials written down due to losses as identified during the annual stores counts.	13,941	-	
19 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS			
As at 30 June 2008	GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
Water	9,562,512	5,439,184	4,123,328
Electricity	8,586,615	1,366,219	7,220,396
Housing Rentals	1,840,260	983,627	856,633
Refuse	6,027,636	4,987,256	1,040,381
Sewerage	6,633,235	3,748,697	2,884,538
Other Arrears	5,841,074	154,670	5,686,404
Total : Trade receivables from exchange transactions	38,491,332	16,679,652	21,811,680
As at 30 June 2007			
Water	8,054,945	5,041,167	3,013,777
Electricity	8,355,500	1,026,044	7,329,457
Housing Rentals	3,996,413	3,891,814	104,599
Refuse	5,276,991	2,236,595	3,040,396
Sewerage	5,753,432	3,376,050	2,377,382
Other Arrears	6,333,288	4,936,621	1,396,668
Total : Trade receivables from exchange transactions	37,770,569	20,508,290	17,262,279
Prior year balances were restated to provide for differentiation in terms of GRAP 1 -See Note 37			
The fair value of other receivables approximate their carrying value.			
TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS - Continued			
(Electricity): Ageing			
Current (0 – 30 days)		4,536,141	4,645,069
31 - 60 Days		1,606,498	1,718,505
61 - 90 Days		363,877	350,422
+ 90 Days		2,080,100	1,641,504
Total		8,586,615	8,355,500

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<u>(Water): Ageing</u>		
Current (0 – 30 days)	371,351	300,936
31 - 60 Days	902,035	874,314
61 - 90 Days	441,629	399,741
+ 90 Days	7,847,496	6,479,953
Total	9,562,512	8,054,945
<u>(Housing): Ageing</u>		
Current (0 – 30 days)	197,416	6,067
31 - 60 Days	157,747	181,412
61 - 90 Days	67,756	127,402
+ 90 Days	1,417,341	3,681,532
Total	1,840,260	3,996,413
<u>(Refuse): Ageing</u>		
Current (0 – 30 days)	758,789	692,379
31 - 60 Days	285,958	253,223
61 - 90 Days	169,596	132,204
+ 90 Days	4,813,293	4,199,186
Total	6,027,636	5,276,991
<u>(Sewerage): Ageing</u>		
Current (0 – 30 days)	747,573	688,026
31 - 60 Days	330,514	299,091
61 - 90 Days	192,198	168,703
+ 90 Days	5,362,949	4,597,613
Total	6,633,235	5,753,432
<u>(Other): Ageing</u>		
Current (0 – 30 days)	2,201,675	2,397,089
31 - 60 Days	543,361	70,764
61 - 90 Days	109,022	73,524
+ 90 Days	2,346,290	3,791,910
Total	5,200,349	6,333,288
<u>(Total): Ageing</u>		
Current (0 – 30 days)	8,812,946	8,729,565
31 - 60 Days	3,826,113	3,397,309
61 - 90 Days	1,344,078	1,251,996
+ 90 Days	23,867,470	24,391,699
Total	37,850,607	37,770,569
<u>Summary of Debtors by Customer Classification</u>		
30-Jun-08		
Current (0 – 30 days)	5,929,361	213,840
31 - 60 Days	2,094,944	196,695
61 - 90 Days	987,838	61,608
+ 90 Days	20,008,511	1,678,076
Sub-total	29,020,653	2,150,220
Less: Provision for bad debts	(14,697,733)	(1,981,918)
Total debtors by customer classification	14,322,920	2,150,220
<u>Summary of Debtors by Customer Classification</u>		
30-Jun-07		
Current (0 – 30 days)	5,900,855	248,967
31 - 60 Days	2,027,913	257,045
61 - 90 Days	971,472	26,028
+ 90 Days	21,186,678	1,348,340
Sub-total	30,086,918	1,880,380
Less: Provision for bad debts	(18,071,443)	-
Total debtors by customer classification	12,015,475	1,880,380
<u>Reconciliation of Provision for Bad Debts</u>		
Balance at beginning of year	20,508,290	19,133,935
Contribution to provision	1,248,252	3,467,160
Bad Debts (written off)	(5,076,891)	(2,092,804)
Balance at end of year	16,679,652	20,508,290
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
20 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	10,213,757	10,843,725
Taxes - VAT	1,227,817	5,403,168
Miscellaneous	1,463,302	671,412
Other Debtors	12,904,875	16,918,305
Less : Provision for bad debts	(25,401)	(175,572)
Total	12,879,474	16,742,733
<u>Rates: Ageing</u>		
Current (0 – 30 days)	2,619,110	4,343,709
31 - 60 Days	698,474	677,255
61 - 90 Days	317,291	251,220
+ 90 Days	6,578,883	5,571,542
Total	10,213,757	10,843,725

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R	
<u>Summary of Debtors (Rates) by Customer Classification</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30-Jun-08	R	R	R
Current (0 – 30 days)	2,108,702	496,374	14,034
31 - 60 Days	535,988	145,732	16,754
61 - 90 Days	242,235	58,907	16,149
+ 90 Days	4,344,284	1,200,725	1,033,874
Sub-total	7,231,209	1,901,738	1,080,811
Less: Provision for bad debts	(25,401)	-	-
Total debtors by customer classification	7,205,808	1,901,738	1,080,811
<u>Summary of Debtors by Customer Classification</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30-Jun-07	R	R	R
Current (0 – 30 days)	3,566,844	760,064	16,801
31 - 60 Days	529,080	131,752	16,422
61 - 90 Days	174,886	63,273	13,060
+ 90 Days	3,673,216	1,062,976	835,349
Sub-total	7,944,027	2,018,066	881,632
Less: Provision for bad debts	(175,572)	-	-
Total debtors by customer classification	7,768,455	2,018,066	881,632
<i>Prior year balances were restated to provide for differentiation in terms of GRAP 1 -See Note 37.5</i>			
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.			
The fair value of other receivables approximate their carrying value.			
The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.			
The total amount of this provision is R 25401 and consist of:			
Taxes - Rates	25,401	175,572	
Miscellaneous	-	-	
Taxes - VAT	-	-	
Total Provision for Bad Debts on Other Debtors	25,401	175,572	
<u>Reconciliation of Provision for Bad Debts</u>			
Balance at beginning of year	175,572	97,502	
Contribution to provision	165,430	175,572	
Bad Debts written off	(315,601)	(97,502)	
Balance at end of year	25,401	175,572	
21 OPERATING LEASE ARRANGEMENTS			
21.1 The Municipality as Lessee:	380,020	118,581	
At the Statement of Financial Position date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:			
Up to 1 year	1,831,919	874,596	
1 to 5 years	4,105,073	687,813	
More than 5 years	3,735,724	-	
Total Operating Lease Arrangements	9,672,716	1,562,409	
21.2 The Municipality as Lessor	1,640,084	911,330	
Leases not previously recognised - Note 35.5	-	321,043	
Balance 30 June	1,640,084	1,232,373	
At the Statement of Financial Position date, where the municipality acts as a lessor under non-cancellable operating leases, it will receive operating lease income as follows:			
Up to 1 year	2,488,077	1,288,403	
1 to 5 years	8,223,588	4,726,904	
More than 5 years	14,119,698	12,461,978	
Total Operating Lease Arrangements	24,831,363	18,477,285	
22 CASH AND CASH EQUIVALENTS			
<u>Assets</u>			
Call Investment Deposits	41,109,217	38,990,514	
Secondary Bank Accounts	1,313,220	3,560,329	
Cash Floats	10,770	11,270	
Total Cash and Cash Equivalents - Assets	42,433,207	42,562,113	
<u>Liabilities</u>			
Primary Bank Account	15,690,362	446,124	
Total Cash and Cash Equivalents - Liabilities	15,690,362	446,124	
<i>Prior year balances were restated to provide for treatment in terms of the Accounting Policy -See Note 36.3</i>			
Call Investment Deposits to an amount of R 24,276,286 are held to fund the Unspent Conditional Grants (2007: R 26,194,543)			
Term Deposit of R 5,571,819 (2007: R 5,068,108) have been pledged to DBSA as guarantees on external loans taken up.			

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
The Municipality has the following bank accounts: -		
Current Accounts		
ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):	1,119,874	3,105,601
Nedbank - Account Number 1626561826 (Primary Bank Account):	(15,690,362)	(446,124)
Nedbank - Account Number 1626561834 (Secondary Account):	193,346	454,728
	<u>(14,377,142)</u>	<u>3,114,205</u>
ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):		
Cash book balance at beginning of year	3,105,601	1,964,556
Cash book balance at end of year	<u>1,119,874</u>	<u>3,105,601</u>
Bank statement balance at beginning of year	3,105,601	21,855,377
Bank statement balance at end of year	<u>1,119,874</u>	<u>3,105,601</u>
ABSA Bank Limited - Account Number 4053683889 (Cash Account):		
Cash book balance at beginning of year	-	(85,224)
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	452,840
Bank statement balance at end of year	<u>-</u>	<u>-</u>
Nedbank - Account Number 1626561826 (Primary Bank Account):		
Cash book balance at beginning of year	(446,124)	-
Cash book balance at end of year	<u>(15,690,362)</u>	<u>(446,124)</u>
Bank statement balance at beginning of year	20,125,248	-
Bank statement balance at end of year	<u>12,457,313</u>	<u>20,125,248</u>
Nedbank - Account Number 1626561834 (Secondary Account):		
Cash book balance at beginning of year	454,728	-
Cash book balance at end of year	<u>193,346</u>	<u>454,728</u>
Bank statement balance at beginning of year	605,386	-
Bank statement balance at end of year	<u>408,782</u>	<u>605,386</u>

23

PROPERTY RATES

Actual

Rateable Land and Buildings

	68,562,798	65,130,796
Domestic	51,922,125	49,654,190
Building Clause Levies	4,021	-
Accommodation	2,537,258	2,393,814
Commercial	6,162,056	5,560,811
Church	252,896	249,316
Light Industrial	416,529	394,617
Agricultural / Rural	5,926,435	5,606,480
State	1,179,228	1,117,775
Other - Pensioners etc.	59,536	56,433
Sporting Bodies	102,714	97,361
Less: Income Foregone	<u>(10,328,107)</u>	<u>(10,979,971)</u>
Total Assessment Rates	<u>58,234,690</u>	<u>54,150,825</u>

Valuations on 1 July 2007:

	Building Clause Valuation R'000	Site Valuation R'000	Building Valuation R'000	Total Valuation R'000
Domestic	703	2,214,253	2,546,155	4,761,111
Accommodation	-	70,095	169,256	239,351
Commercial	108	125,401	367,172	492,681
Church	-	8,364	18,810	27,174
Light Industrial	54	6,979	26,873	33,906
Agricultural / Rural	-	244,212	125,448	369,660
State	-	48,953	60,244	109,197
Other - Pensioners etc.	-	6,097	17,740	23,837
Sporting Bodies	-	4,181	5,579	9,760
Total Property Valuations	865	2,728,535	3,337,277	6,066,677

Valuations on 1 July 2006:

	Building Clause Valuation R'000	Site Valuation R'000	Building Valuation R'000	Total Valuation R'000
Domestic	872	2,122,012	2,287,590	4,410,474
Accommodation	-	72,733	167,259	239,992
Commercial	148	119,872	319,365	439,385
Church	-	8,876	18,112	26,988
Light Industrial	103	6,979	24,935	32,017
Agricultural / Rural	-	244,156	123,878	368,034
State	-	48,953	60,244	109,197
Other - Pensioners etc.	-	8,991	27,153	36,144
Sporting Bodies	-	4,181	4,879	9,060
Total Property Valuations	1,123	2,636,752	3,033,415	5,671,290

PROPERTY RATES - Continued

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2003. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.018422 was charged on site values and a rate in the rand of R 0.004605 for improvements. Business were charged at a rate in the rand of R 0.032456 on site values and a rate in the rand of R 0.007071 for improvements.

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
The basic rate was 1,67 c per Rand on land and buildings (2007 = 1,59c/R). There are 15 926 properties of which 13430 are residential. Pensioners qualify for discounts of 20-40% Properties used for domestic purposes and consisting of both land and improvements are subject to a R 30,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one. Rates are levied monthly and payable by the 7th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.		
24 SERVICE CHARGES		
Electricity	73,519,985	71,301,553
Service charges	75,424,050	73,069,451
Less: Rebates	(1,904,065)	(1,767,898)
Water	28,389,873	27,915,828
Service charges	32,389,536	31,429,545
Less: Rebates	(3,999,662)	(3,513,717)
Refuse removal	12,483,414	11,632,318
Service charges	13,763,489	12,931,577
Less: Rebates	(1,280,074)	(1,299,260)
Sewerage and Sanitation Charges	11,938,691	11,534,575
Service charges	13,188,272	12,810,965
Less: Rebates	(1,249,581)	(1,276,390)
Other Service Charges - Private Works	1,961,202	3,203,324
Total Service Charges	128,293,165	125,587,599
Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice Revenue (GAMAP 9): Initial measurement of fair value is discounting all future receipts using an imputed rate of interest. [SIACA Circular 09/06 and paragraph 12]		
25 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	13,331,467	11,252,960
Conditional Grants	63,373,795	53,090,225
National FMG Grant	495,345	969,690
National MIG Grant	3,481,223	11,490,498
National MIG Grant (Disaster Management Grant)	3,737,198	15,963,480
National MSIG Grant	150,000	150,000
National INEP Grant	1,555,273	958,727
Provincial Housing Grant	45,369,730	18,381,044
Provincial Other Grants	7,198,798	2,104,529
EDEN District Municipal Grant	944,044	2,467,618
Other Spheres of Government Grants	252,107	82,132
Other Organisational Grants	190,075	522,507
Total Government Grants and Subsidies	76,705,262	64,343,185
25.1 Equitable Share	13,331,467	11,252,960
In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.		
25.2 National: Finance Management Grant (FMG)		
Balance unspent at beginning of year	(41,190)	871,112
Correction of opening balance	-	(442,612)
Current year receipts	500,000	500,000
Conditions met - transferred to revenue	(495,345)	(969,690)
Conditions still to be met - transferred to liabilities	-	-
Conditions met balance due by government transferred to current assets	(36,536)	(41,190)
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.		
25.3 National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	302,720	1,074,593
Current year receipts	8,632,042	10,718,625
Conditions met - transferred to revenue	(3,481,223)	(11,490,498)
Conditions still to be met - transferred to liabilities (see note 8)	5,453,539	302,720
The grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.		
25.4 National: (MIG) Disaster Management Grant		
Balance unspent at beginning of year	15,855,197	(1,621,208)
Previous year receipts	-	1,621,208
Current year receipts	-	31,818,677
Conditions met - transferred to revenue	(3,737,198)	(15,963,480)
Conditions met - balance due by government transferred to current assets (see note 8)	-	-
Conditions still to be met - transferred to liabilities (see note 8)	12,117,999	15,855,197
Disaster Management Grant was used in mitigation of the flood damage experienced on the 22 December 2004. The conditions of the grant have been met.		

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
25.5 National: Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current year receipts	150,000	150,000
Conditions met - transferred to revenue	(150,000)	(150,000)
Conditions met	-	-
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, most especially the Visual Information Management System		
25.6 National: Integrated National Electrification Grant		
Balance due at beginning of the year	-	-
Balance unspent at beginning of year	225,273	30,000
Previous year receipts	-	-
Current year receipts	1,330,000	1,154,000
Conditions met - transferred to revenue	(1,555,273)	(958,727)
Conditions still to be met - transferred to liabilities	-	225,273
The National Electrification Grant was used to address electrification backlogs of permanently occupied dwellings.		
25.7 Provincial - Integrated Housing & Human Settlements Grant		
Balance unspent at beginning of year	9,089,450	5,436,241
Current year receipts	35,489,819	22,034,253
Conditions met - transferred to revenue	(45,369,730)	(18,381,044)
Conditions met - transferred to assets (2007: transferred to liabilities)	(790,462)	9,089,450
The Grant is from Western Cape Government, department of Local Government & Housing and is used for the construction of infrastructure and houses in the Knysna Vision 2002 housing project and Flenters/Robololo Housing projects.		
25.8 Provincial - Other Provincial Grants		
Balance due at beginning of the year	617,903	2,160,432
Current year receipts	10,598,041	562,000
Conditions met - transferred to revenue	(7,198,798)	(2,104,529)
Interest earned	101,867	-
Conditions met - transferred to current assets - unpaid grants and subsidies	(1,807,014)	-
Conditions still to be met - transferred to liabilities	5,926,026	617,903
Various grants were received from Provincial Government for sanitation, libraries, transport, etc; the grants being: Spatial Development Framework, Local Government Project Preparation, Khayaletu River Project, Non-motorised Transport, Khayaletu Depot Library.		
25.9 District - EDEN District Municipal Grants		
Balance unspent at beginning of year	-	(1,163,166)
Balance due at beginning of the year	(765,050)	-
Previous year receipts	-	1,213,166
Current year receipts	1,670,673	1,652,568
Conditions met - transferred to revenue	(944,044)	(2,467,618)
Conditions still to be met - transferred to liabilities	-	-
Conditions met - balance due by government transferred to current assets	-	-
Net District Grants spent in advance	-	-
Conditions met - balance due by government transferred to current assets	(38,421)	(765,050)
These grants were used for water/sanitation type expenditure.		
25.10 Other Spheres of Government Grants		
Balance unspent at beginning of year	104,000	15,132
Balance due at beginning of the year	-	(19,975)
Previous year receipts	-	19,975
Current year receipts	377,000	171,000
Conditions met - transferred to revenue	(252,107)	(82,132)
Conditions still to be met - transferred to liabilities	228,893	104,000
Various grants and subsidies from Other Government Departments used for water, roads, capacity building, etc. - grants from MIU, DPLG, SANRAL and DWAF		
25.11 Other organisational grants		
Balance due at beginning of the year	(144,193)	(500,000)
Previous year receipts	-	500,000
Current year receipts	534,929	378,314
Conditions met - transferred to revenue	(190,075)	(522,507)
Conditions met - balance due by government transferred to current liabilities	349,831	-
Conditions met - balance due by organisation transferred to current assets	(149,170)	(144,193)
Various grants from Other Organisations used for sports facilities, capacity building and youth advisory centre - organisations being LOTTO, DBSA, UYF		
25.12 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
26 PUBLIC CONTRIBUTIONS AND DONATIONS		
Augmentation fees from developers - General	4,934,041	6,228,363
Augmentation fees from developers - Specific Electric	538,544	685,707
Augmentation fees from developers - Fernwood Estate	1,076,952	-
Total Public Contributions and donations	6,549,538	6,914,070
The movement in unspent public contributions and donations is reconciled as follows:		

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
26.1 Augmentation fees from developers - General		
Balance unspent at beginning of year	5,579,364	7,543,002
Current year receipts	5,084,578	4,264,725
Transfers - Fernwood	(500)	-
Amount utilised - transferred to revenue	(4,934,041)	(6,228,363)
<i>Electricity</i>	(3,052,258)	(4,121,763)
<i>Rates</i>	(1,405,556)	-
<i>Sewerage</i>	-	(234,139)
<i>Water</i>	(476,227)	(1,872,461)
Unutilised amounts - transferred to liabilities (see note 9)	<u>5,729,401</u>	<u>5,579,364</u>
26.2 Augmentation fees from developers - Specific Electrical Projects		
Balance unspent at beginning of year	365,683	-
Current year receipts	929,818	1,051,390
Amount utilised - transferred to revenue	(538,544)	(685,707)
Unutilised amounts - transferred to liabilities (see note 9)	<u>756,957</u>	<u>365,683</u>
26.3 Augmentation fees from developers - Fernwood Estate		
Balance unspent at beginning of year	1,076,452	-
Current year receipts	-	1,076,452
Amount reversed	500	-
Amount utilised - transferred to revenue	(1,076,952)	-
Unutilised amounts - transferred to liabilities (see note 9)	<u>-</u>	<u>1,076,452</u>
Total unutilised	<u>6,486,358</u>	<u>7,021,499</u>
27 OTHER INCOME		
Admin fees	168,759	125,211
Discount on Purchases	-	111,587
Parking Fees	106,028	161,991
Penalty Disconnection Fees	363,251	237,728
Sundries	318,279	469,287
Valuation Certificates	164,703	101,197
Sale of refuse bags	119,763	98,296
Total Other Income	<u>1,240,784</u>	<u>1,305,297</u>
28 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	51,738,772	45,636,308
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	15,438,079	14,375,567
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4,541,151	4,611,572
Housing Benefits and Allowances	1,144,764	942,993
Overtime Payments	3,890,556	2,837,305
Bonuses	4,089,562	3,746,490
Provision for leave	2,230,094	1,790,441
Defined Benefit Plan Expenses - Vested Past Service Cost	-	37,435,819
Contribution to provision - Ex-gratia pensions - Note 4	46,587	-
Contribution to provision - Long Service Awards - Note 4	560,355	-
Contribution to provision - Post Retirement Medical - Note 4	4,101,205	-
	<u>87,781,124</u>	<u>111,376,495</u>
Less: Employee Costs allocated elsewhere	(246,749)	-
Total Employee Related Costs	<u>87,534,375</u>	<u>111,376,495</u>
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager		
Annual Remuneration	744,335	513,611
Car Allowance	70,008	122,607
Performance Bonus	-	128,485
Contributions to UIF, Medical and Pension Funds	153,330	115,367
Total	<u>967,672</u>	<u>880,070</u>
Remuneration of the Director Finance		
Annual Remuneration	778,823	545,567
Car Allowance	36,000	36,000
Telephone allowance	13,066	-
Performance Bonus	83,463	70,119
Contributions to UIF, Medical and Pension Funds	22,968	137,922
Total	<u>934,321</u>	<u>789,608</u>
Remuneration of Director : Corporate Services		
Annual Remuneration	507,924	667,444
Car Allowance	26,968	52,333
Telephone allowance	7,030	-
Performance Bonus	37,095	70,119
Contributions - UIF, Medical, Pension	63,422	131,335
Total	<u>642,438</u>	<u>921,231</u>
Remuneration of Director : Community Services		
Annual Remuneration	478,517	394,216
Car Allowance	87,018	114,037
Telephone allowance	12,222	-
Performance Bonus	82,500	-
Contributions - UIF, Medical, Pension	93,112	77,029
Total	<u>753,369</u>	<u>585,282</u>

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
Remuneration of Director : Technical Services		
Annual Remuneration	575,760	518,636
Car Allowance	26,750	23,721
Performance Bonus	95,661	36,196
Bonus (13th Cheque)	39,293	-
Telephone allowance	12,000	-
Housing allowance	7,341	-
Contributions - UIF, Medical, Pension	140,475	113,708
Total	897,281	692,261
Remuneration of Director : Strategy		
Annual Remuneration	482,090	368,570
Car Allowance	135,000	143,548
Performance Bonus	66,000	-
Telephone allowance	12,222	-
Contributions - UIF, Medical, Pension	41,462	33,355
Total	736,774	545,473
29 REMUNERATION OF COUNCILLORS		
Executive Mayor	481,937	509,389
Executive Deputy Mayor	388,236	414,125
Speaker	388,428	418,649
Councillors	1,644,215	1,800,716
Mayoral Committee	729,744	778,221
Total Councillors' Remuneration	3,632,560	3,921,100
In-kind Benefits		
The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
Certification by the Municipal Manager		
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.		
 Signed: Municipal Manager		
30 CONTRIBUTION TO BAD DEBTS PROVISION		
Trade Receivables form exchange transactions - Note 19	1,248,252	3,467,160
Long-term Receivables - Note 17	(168,758)	896,084
Other Receivables form non-exchange transactions - Note 20	165,430	175,572
Total Contribution to Bad debts provision	1,244,924	4,538,816
31 INTEREST PAID	R	R
Long-term liabilities	15,523,735	12,014,551
Overdraft Facilities	-	-
Total Interest on External Borrowings	15,523,735	12,014,551
32 BULK PURCHASES		
Electricity	37,984,365	33,420,682
Refuse drums	63,425	89,500
Total Bulk Purchases	38,047,790	33,510,182
33 GRANTS AND SUBSIDIES PAID		
Grants-in-aid and Donations	807,418	410,000
Knysna Tourism	4,485,237	4,399,000
Knysna HIV/AIDS	42,915	571,610
Total Grants and Subsidies	5,335,570	5,380,610
34 GENERAL EXPENSES		
General Expenses	46,949,527	50,595,356
General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.		
35 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GAMAP/GRAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:		
35.1 The municipality adopted the following International Accounting Standards for the first time during the financial year 2006/2007 in order to comply with the basis of preparation of the annual financial statements as disclosed in accounting policy 1:		
- IAS 19 Employee Benefits		
- IAS 32 Financial Instruments: Presentation		
- IAS 39 Financial Instruments: Recognition and Measurement		
The transitional provisions of the above-mentioned standards have not been adopted, with the exception of the transitional provisions of IAS 19. The transitional provisions of IAS 19 have been adopted as follows:		

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
35.2 IAS 19 - Employee Benefits, paragraph 155 (a):		
The transitional defined benefit liabilities for Retirement Benefits and Long Service Allowances have been recognised in the annual financial statements of the municipality as at 30 June 2007 in terms of IAS 19, 155 (a). Thus the full net liabilities as at 30 June 2007 has been recognised immediately in the annual financial statements.		
The effect of the above-mentioned changes in accounting policies on the profit and loss is a decrease of R 41,974,635 million for the financial year 2006/2007 and the nature of the changes in the accounting policies is as follows:		
- IAS 19 - Increase in expense for Employee Benefits		(37,435,819)
- IAS 32 & 39 - Increase in expense for Provision for Bad Debts		(4,538,816)
Total (decrease) in Surplus for the Year 2006/2007		(41,974,635)
35.3 Non-Current Provisions		
Provision for the rehabilitation of alien vegetation		
Balance previously reported		-
Transfer from Accumulated Surplus - Note 35.5		5,043,708
Contribution for 2006/2007 financial year - Note 35.6		302,622
Restated Balance 30 June - Note 4.4		5,346,330
35.4 Property, Plant and Equipment		
Balance previously reported		272,718,113
Heritage assets not previously recorded credited to Accumulated Surplus - Note 35.5		241,625
Discontinued operations - transfer of Health assets debited against Accumulated Surplus - At cost - Note 35.5		(1,325,895)
Discontinued operations - transfer of Health assets credited to Accumulated Surplus - Accumulated Depreciation - Note 35.5		1,207,138
Restated Balance 30 June		272,840,981
35.5 Changes to Accumulated Surplus		
Transfer to Non-current provisions - Clearing of Alien Vegetation - Note 35.3		(5,043,708)
Heritage assets not previously recorded - Note 35.4		241,625
Transfer from Property, Plant and Equipment - Health assets transfer - Note 35.4		(118,757)
Operating lease asset not previously recognised - Note 21.2		321,043
		(4,599,797)
35.6 Prior Year - Changes to the Statement of Financial Performance		
Deficit for the year previously reported		(6,085,400)
Adjustments for the year		59,120
Contribution to Non-current provisions - Clearing of Alien Vegetation - Note 35.3		(302,622)
Contribution to current provisions - Leave - Note 6		(415,889)
Unamortised discount allowed - non-current receivables - Note 17		12,320
Unamortised discount allowed - Longterm liabilities - Note 3		787,972
Restatement of items below a value of R 10,000 previously expensed - Cost - Note 36.6		1,778,991
Restatement of items below a value of R 10,000 previously expensed - Depreciation - Note 36.6		(1,280,464)
Depreciation on completed projects listed as Work-in-progress not previously recognised		(385,172)
Finance leases previously expensed - Depreciation - Note 36.6		(622,053)
Finance leases previously expensed - Interest		(253,942)
Finance leases previously expensed - General expenses re-allocated		(136,015)
Finance leases previously expensed - General expenses re-allocated		875,995
Restated Balance 30 June 2007 - Statement of Financial Performance		(6,026,280)
36 CORRECTION OF ERROR IN TERMS OF GRAP 3		
Prior year adjustments due to non-compliance with Accounting Policy		
36.1 Short-term Investment Deposits		
Balance previously reported		38,990,514
Transfer to Cash and Cash Equivalents as per Accounting Policy - Note 36.3		(38,990,514)
Restated amount for Short-term investment deposits		-
36.2 Bank Balances and Cash		
Balance previously reported		3,571,599
Transfer to Cash and Cash Equivalents as per Accounting Policy - Note 36.3		(3,571,599)
Restated amount for Bank balances and Cash		-
36.3 Cash and Cash Equivalents		
Transfer from Short-term investment deposits - Note 36.1		38,990,514
Transfer from Bank balances and cash - Note 36.2		3,571,599
Restated amount for Cash and Cash Equivalents - Note 22		42,562,113
36.4 Non-current receivables		
Implementation of IAS 39 - Financial Instruments		
Restatement of fair values of loans to staff - Notes 17 and 36.5		(43,440)
Balance 1 July		(43,440)
36.5 Changes to Accumulated Surplus		
Implementation of IAS 39 - Financial Instruments - Restatement of fair values of loans to staff - Note 36.4		(43,440)
Property Plant and Equipment below a value of R 10 000 previously expensed - Note 36.6		2,601,002
Intangible assets previously expensed - Note 36.7		233,023
Leased property, plant and equipment previously expensed - Note 36.6		(150,788)
Depreciation for prior years incorrectly calculated now rectified - Note 12 and 36.6		(225,511)
Offsetting of depreciation for prior years incorrectly calculated now rectified - Note 36.10		307,360
Trade payables balance incorrectly transferred to Accumulated Surplus in 2002 reversed - Note 36.11		(303,682)
Implementation of IAS 39 - Financial Instruments - Restatement of fair values of long term liabilities - Note 36.8		(5,361,991)
Net increase/(decrease) in Accumulated Surplus		(2,944,027)
36.6 Property, Plant and Equipment		
2006/2007 Opening Balance - Restatement of items below a value of R 10 000 previously expensed- At Cost - Note 12		12,576,324
2006/2007 - Restatement of items below a value of R 10 000 previously expensed - Backlog depreciation - Note 12		(9,975,323)
Net increase in Property, Plant and Equipment credited to Accumulated Surplus - Note 36.5		2,601,002

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
2006/2007 - Restatement of items below a value of R 10,000 previously expensed - Cost - Note 12		2,020,616
2006/2007 - Restatement of items below a value of R 10,000 previously expensed - Depreciation - Leases - Note 12		(1,280,464)
2006/2007 - Restatement of leases previously expensed - Depreciation - Other - Note 12		(622,053)
2006/2007 - W.I.P. not previously depreciated - Depreciation - Other - Note 12		(385,172)
Net decrease in Property, Plant and Equipment - Note 12		(267,074)
Depreciation for prior years incorrectly calculated now rectified - Note 12		(225,511)
Leased property, plant and equipment previously expensed - At cost - Note 12 and Note 36.8		2,886,000
Leased property, plant and equipment previously expensed - Backlog depreciation - Note 12		(710,787)
Net increase in Property, Plant and Equipment funded by finance leases - Note 12		2,175,213
Net increase in Property, Plant and Equipment - Note 12		4,283,630
36.7 Intangible Assets		
Restatement of computer software previously expensed- At Cost - Note 15		590,742
Restatement of computer software previously expensed - Backlog depreciation - Note 15		(357,719)
Net increase in Intangible Assets credited to Accumulated Surplus - Note 36.5		233,023
36.8 Long-term liabilities		
Finance leases previously expensed - At cost - Note 36.6		2,886,000
Finance leases previously expensed - redeemed - Note 3		(559,999)
Unamortised discount not previously recognised - Loan - Notes 3 and 36.5		6,482,722
Unamortised discount not previously recognised - Redeemed - Notes 3 and 36.5		(1,120,731)
Net increase in Long-term liabilities - Note 3		7,687,992
36.9 Appropriation Account		
Corrections were made during the year and appropriated to the Accumulated Surplus Account.		
Appropriations		(355,077)
Correction of Housing Loans against the Housing development fund		-
Details of the appropriations are as follows:		(355,077)
Corrections to Creditors		(43,820)
Corrections to Debtors		(32,529)
Corrections to Expenditure		27,270
Corrections to Income		(1,975)
Corrections to Payroll		11,187
Corrections to Stores		(32,356)
Adjustment on Opening Balance of Unspent Grants		(442,613)
Adjustment of Previous Year Expenditure - RSC Levies		159,759
Decrease in accumulated surplus		(355,077)
36.10 Reserves		
Government Grant Reserve - Offsetting of depreciation for prior years incorrectly calculated now rectified - Note 36.5		(255,684)
Capitalisation Reserve - Offsetting of depreciation for prior years incorrectly calculated now rectified - Note 36.5		(7,454)
Public Contributions Reserve - Offsetting of depreciation for prior years incorrectly calculated now rectified - Note 36.5		(44,221)
Net decrease in reserves (See Statement of Changes to Net Assets) - Note 36.5		(307,360)
36.11 Trade Payables		
Trade payables balance incorrectly transferred to Accumulated Surplus in 2002 reversed - Note 36.5		303,682
Net increase in trade payables - Note 7		303,682
37 PRIOR YEAR ADJUSTMENTS TO FINANCIAL STATEMENTS IN TERMS OF GRAP 1		
The following adjustments were made to balances previously reported in the Statement of Financial Position in order to provide for the differentiation between Exchange- and Non-Exchange transactions in terms of GRAP 1		
37.1 Consumer Debtors		
Balance previously reported		26,721,547
Transfer of Rates Debtors to Other receivables from non-exchange transactions - Note 37.5		(10,843,725)
Transfer of Rates Debtors to Other receivables from exchange transactions - Note 37.4		(211,164)
Transfer of Provision for Bad Debts Debtors to Other receivables from exchange transactions - Note 37.4		20,148,445
Transfer to Trade receivables from exchange transactions - Debtors - Note 37.4		(35,815,103)
Restated amount for Consumer Debtors		(0)
37.2 Other Debtors		
Balance previously reported		2,830,731
Transfer to Other receivables from exchange transactions - Other debtors - Note 37.4		(1,744,303)
Transfer to Other receivables from non-exchange transactions - Other debtors - Note 37.5		(671,412)
Transfer to Other receivables from exchange transactions - Provision for bad debt - Other debtors - Note 37.4		359,846
Transfer to Other receivables from non-exchange transactions - Provision for bad debt - Other debtors - Note 37.5		175,572
Transfer to Unpaid Conditional Government Grants and Subsidies - Note 37.6		(950,434)
Restated amount for Other Debtors		-
37.3 VAT		
Balance previously reported		5,403,168
Transfer to Other receivables from non-exchange transactions - Note 37.5		(5,403,168)
Restated amount for VAT		-
37.4 Trade receivables from Exchange Transactions		
Balance previously reported		-
Transfer from Consumer Debtors - Debtors - Note 37.1		36,026,267
Transfer from Other Debtors - Debtors - Note 37.2		1,744,303
Transfer from Consumer Debtors - Provision for bad debt - Note 37.1		(20,148,445)
Transfer from Other Debtors - Provision for bad debt - Note 37.2		(359,846)
Restated amount for Trade receivables from exchange transactions - Note 19		17,262,280

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
37.5 Other receivables from Non- Exchange Transactions		
<i>Balance previously reported</i>		-
Transfer from Consumer Debtors - Rates Debtors - Note 37.1		10,843,725
Transfer from Other Debtors - Debtors - Note 37.2		671,412
Transfer from Other Debtors - Debtors - Provision for bad debt - Note 37.2		(175,572)
Transfer from VAT - Note 37.3		5,403,168
Restated amount for Other receivables from non-exchange transactions - Note 20		16,742,733
37.6 Unpaid conditional government grants and subsidies		
<i>Balance previously reported</i>		-
Transfer from Other Debtors - Debtors - Note 37.2		950,434
Restated amount for Unpaid conditional government grants and subsidies - Note 8		950,434
38 CASH GENERATED BY OPERATIONS		
Surplus for the year	12,813,563	(6,026,292)
Adjustment for:		
Correction of Error - Note 36.9	-	355,077
Prior year adjustments - Note 35.6	-	(2,600,752)
Depreciation and amortisation	22,933,726	20,931,024
Amortisation of Intangible Assets	-	-
Gain on disposal of property, plant and equipment	(301,863)	(591,861)
Impairments - Property, Plant and Equipment	1,329,367	-
Contribution from/to provisions - Non-Current	5,326,367	35,926,873
Contribution from/to provisions - Non-Current - Expenditure incurred	(1,241,709)	-
Contribution from/to provisions - Non-Current - Actuarial losses	3,383,109	-
Contribution from/to provisions - Non-Current - Actuarial gains	(45,153)	-
Contribution to provisions - current	2,889,816	2,877,039
Contribution to provisions - current - Expenditure incurred	(1,754,437)	-
Contribution to provisions - Bad debt	1,244,924	4,538,816
Unamortised discounts	(798,918)	-
Bad debts written off	(5,416,746)	(2,190,306)
Operating lease income accrued	(407,711)	(316,202)
Operating lease expenses accrued	261,440	23,805
Investment income	(6,226,301)	(9,440,703)
Interest paid	15,523,735	12,268,493
Operating surplus before working capital changes:	49,513,209	55,755,011
(Increase)/Decrease in inventories	164,512	(682,029)
(Increase)/decrease in Trade receivables from exchange transactions	(720,763)	(3,204,378)
(Increase)/Decrease in Current Portion of Long-term Receivables	-	87,606
(Increase)/decrease in Other receivables from non-exchange transactions	4,013,430	2,496,971
(Decrease)/increase in unspent public contributions and receipts	(535,141)	(521,503)
(Decrease)/increase in unspent conditional grants and receipts	(1,918,256)	16,557,032
Decrease/(increase) in unpaid conditional grants and receipts	(2,071,168)	-
Increase(decrease) in creditors	370,806	(753,071)
(Increase)/decrease in VAT	-	(5,179,005)
Cash generated by/(utilised in) operations	48,816,629	64,556,634
39 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following :		
Short-term Investment deposits, Bank balances and cash - Note 22	42,433,207	42,562,113
Bank overdraft - Note 22	(15,690,362)	(446,124)
Total cash and cash equivalents	26,742,844	42,115,989
40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities - Note 3	131,375,555	112,900,325
Used to finance property, plant and equipment - at cost	(124,863,646)	(107,808,901)
Sub- total	6,511,909	5,091,424
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	6,511,909	5,091,424
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		
41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
41.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	8,419,916	28,268,379
Approved by Council or condoned	(8,419,916)	(28,268,379)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
Incident	Disciplinary steps/criminal proceedings	
Over expenditure of approved budget	None	
41.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
Incident	Disciplinary steps/criminal proceedings	
None	None	

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R		
41.3 Irregular expenditure				
Reconciliation of irregular expenditure				
Opening balance	-	-		
Fruitless and wasteful expenditure current year	-	-		
Condoned or written off by Council	-	-		
Transfer to receivables for recovery – not condoned	-	-		
Irregular expenditure awaiting condonement	-	-		
Incident	Disciplinary steps/criminal proceedings			
<i>None</i>	<i>None</i>			
42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
42.1 Contributions to organized local government - [MFMA 125 (1)(b)]				
Opening balance	-	-		
Council subscriptions	354,649	203,921		
Amount paid - current year	(354,649)	(203,921)		
Amount paid - previous years	-	-		
Balance unpaid (included in creditors)	-	-		
42.2 Audit fees - [MFMA 125 (1)(b)]				
Opening balance	-	-		
Current year audit fee	-	-		
External Audit - Auditor - General	1,040,233	691,348		
Internal Audit	1,171,993	959,093		
Audit Committee	190,800	170,400		
Amount paid - current year	(2,403,026)	(1,820,841)		
Amount paid - previous years	-	-		
Balance unpaid (included in creditors)	-	-		
42.3 VAT - [MFMA 125 (1)(b)]				
Opening balance	2,999,993	441,771		
Amounts received - current year	(31,269,446)	(19,455,472)		
Amounts claimed - current year	32,553,948	20,360,563		
Amount paid - current year	327,589	1,653,130		
Amount paid - previous years	-	-		
Closing balance	4,612,084	2,999,993		
Vat inputs receivables and Vat outputs payables are shown in Note 10				
All VAT returns have been submitted by the due date throughout the year.				
42.4 PAYE and UIF - [MFMA 125 (1)(b)]				
Opening balance	58,878	(256,708)		
Current year payroll deductions	(10,089,120)	(8,030,587)		
Amount paid - current year	10,059,614	8,346,173		
Balance unpaid (included in creditors)	29,372	58,878		
42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]				
Opening balance	-	-		
Current year payroll deductions and Council Contributions	(22,006,540)	(22,132,480)		
Amount paid - current year	22,006,540	22,132,480		
Amount paid - previous years	-	-		
Balance unpaid (included in creditors)	-	-		
42.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]				
The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2008:				
	Outstanding more than 90 days			
Wolmarans G	547			
Mc Combi H	9,043			
The following Councillors had arrear accounts outstanding for more than 90 days during the year:				
	Highest amount outstanding	Ageing		
Wolmarans G	547	>150 days		
Mc Combi H	9,043	>150 days		
Finn A	524	90 days		
42.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act				
Non-compliance to the Supply Chain Management Regulations were identified on the following categories:				
	Less than R 30,000	Between R 30,000 and R 200,000	Between R 200,001 and R 2,000,000	More than R 2,000,001
Inventory	225,991	781,478	527,248	-
Insurance	480,037	444,594	335,664	-
Other	106,407	145,240	-	-
Executive & Council	636,871	1,229,245	582,154	-
Corporate Services	595,132	1,427,818	1,402,493	-
Community Services	2,114,517	4,388,263	6,567,749	22,493,112
Financial Services	598,108	1,872,690	5,037,372	-
Technical Services	2,288,415	4,892,334	9,538,581	-
Electrical Services	913,066	3,073,126	4,207,925	-
Town Planning	220,772	204,613	-	-
Strategic Services	448,842	349,838	-	-
	8,628,158	18,809,238	28,199,186	22,493,112

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
43 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for	4,553,362	8,046,024
Infrastructure	4,553,362	8,046,024
Community	-	-
Other	-	-
- Approved but not yet contracted for	-	1,021,168
Infrastructure	-	1,021,168
Community	-	-
Other	-	-
Total	4,553,362	9,067,192
This expenditure will be financed from:		
- External Loans	3,530,397	7,954,490
- Capital Replacement Reserve	-	-
- Government Grants	437,939	553,094
- Own resources	438,695	559,608
- District Council Grants	146,331	-
	4,553,362	9,067,192

44 RETIREMENT BENEFIT INFORMATION

Council employees contribute to the Cape Joint Municipal Pension Fund and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2005.

45 FINANCIAL RISK MANAGEMENT

Financial Risk Management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign exchange currency risk

The municipality does not engage in foreign currency transactions.

(b) Interest rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

(c) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

(d) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

(e) Other risks

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		2008 R	2007 R
Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.			
The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:			
Fixed Deposit Investments		10,483,810	9,278,291
Long Term Receivables		1,010,555	1,586,668
Consumer Debtors		-	26,721,546
Other Debtors		-	3,366,149
Trade receivables from exchange transactions		21,811,680	-
Other receivables from non-exchange transactions		12,879,474	-
Short Term Investment Deposits		41,109,217	38,990,514
Bank and Cash Balances		1,323,990	3,125,475
VAT		1,227,817	5,403,168
Maximum Credit and Interest Risk Exposures		89,846,543	88,471,810
46 FINANCIAL INSTRUMENTS			
In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:			
Financial Assets	Classification		
Investments			
Fixed Deposits	Held to maturity	10,483,810	9,278,291
Long-term Receivables			
Staff loans	Loans and receivables	53,319	269,521
Old age homes	Loans and receivables	1,663,702	1,027,037
Sundry deposits	Loans and receivables	13,300	13,300
Consumer Debtors			
Service Debtors	Loans and receivables	15,541,355	23,520,376
Housing Rentals	Loans and receivables	983,627	(55,497)
Other Debtors	Loans and receivables	154,670	3,256,668
Other Debtors			
Payments made in Advance	Loans and receivables	-	-
Rates	Loans and receivables	10,213,757	-
VAT	Loans and receivables	1,227,817	5,403,168
Sundry Debtors	Loans and receivables	1,463,302	2,415,715
Government Subsidies and Grants	Loans and receivables	3,021,603	950,434
Current Portion of Long-term Receivables			-
Staff loans	Loans and receivables	110,729	176,713
Old age homes	Loans and receivables	100,840	100,096
Short-term Investment Deposits			
Call Deposits	Held to maturity	41,109,217	38,990,514
Bank Balances and Cash			
Bank Balances	Held to maturity	1,313,220	3,114,205
Cash Floats and Advances	Held to maturity	10,770	11,270
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Fixed deposits	10,483,810	9,278,291
Short-term Investment Deposits	Call deposits	41,109,217	38,990,514
Bank Balances		1,313,220	3,114,205
Cash Floats and Advances		10,770	11,270
		52,917,017	51,394,279
Loans and Receivables			
Long-term Receivables	Staff loans	53,319	269,521
Long-term Receivables	Old Age Homes	1,663,702	1,027,037
Long-term Receivables	Sundry deposits	13,300	13,300
Consumer Debtors	Services	15,541,355	23,520,376
Consumer Debtors	Housing	983,627	(55,497)
Consumer Debtors	Other	154,670	3,256,668
Other Debtors	Rates	10,213,757	-
Other Debtors	VAT	1,227,817	-
Other Debtors	Sundry debtors	1,463,302	2,415,715
Other Debtors	Government subsidies and grants	3,021,603	950,434
Current Portion of Long-term Receivables	Staff car loans	110,729	176,713
Current Portion of Long-term Receivables	Old Age Homes	100,840	100,096
VAT	VAT	1,227,817	5,403,168
		35,775,837	37,077,532
Total Financial Assets		88,692,854	88,471,811
47 EVENTS AFTER THE REPORTING DATE			
The Council resolved to suspend the Sedgfield Waterworks Program due to insufficient secured grant funding. Professional fees of R 1 238 059 was incurred on the program and was impaired in the current period. The necessity for the project has not diminished and further attempts to obtain additional funding are continuing and the impairment will be reversed if the attempts to obtain additional grant funding is successful.			
In note 42 of the 2006/2007 Financial Statements, comment was made regarding the torrential rains of November 2007. A claim of R 69,1 million was submitted to Provincial Government for assistance required. An amount of R 9,9 million was awarded as a grant from the Emergency Housing Program for repairs to infrastructure and retaining walls to be built. R 2,2 of the grant was spent during 2007/2008 with the remainder budgeted to be spent during 2008/2009. R 1,6 million of own money was spent on clean-up operations during 2007/2008. The remainder of the damage will be handled through future budgets.			

KNYSNA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		2008 R	2007 R																																				
48	IN-KIND DONATIONS AND ASSISTANCE																																						
	The municipality received the following in-kind donations and assistance:																																						
	<table><tr><th>Organisation</th><th>Contribution towards:</th><td></td><td></td></tr><tr><td>Eden District Municipality</td><td>Beach clean-up after floods</td><td>112,000</td><td>-</td></tr><tr><td>General public</td><td>Millwood Museum</td><td>632</td><td>469</td></tr><tr><td>General public</td><td>Mayor's Cup (Golf day)</td><td>72,000</td><td>-</td></tr><tr><td>From US with love</td><td>Mayor's Cup (Golf day)</td><td>77,844</td><td>-</td></tr><tr><td>General public</td><td>Various mayoral initiatives</td><td>173,874</td><td>-</td></tr><tr><td>South African Breweries</td><td>Flood relief</td><td>-</td><td>21,930</td></tr><tr><td>Nedbank Corporate</td><td>State of the town address gala dinner</td><td>42,000</td><td>26,316</td></tr><tr><td></td><td></td><td><u>478,350</u></td><td><u>48,715</u></td></tr></table>	Organisation	Contribution towards:			Eden District Municipality	Beach clean-up after floods	112,000	-	General public	Millwood Museum	632	469	General public	Mayor's Cup (Golf day)	72,000	-	From US with love	Mayor's Cup (Golf day)	77,844	-	General public	Various mayoral initiatives	173,874	-	South African Breweries	Flood relief	-	21,930	Nedbank Corporate	State of the town address gala dinner	42,000	26,316			<u>478,350</u>	<u>48,715</u>		
Organisation	Contribution towards:																																						
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		<u>478,350</u>	<u>48,715</u>																																				
49	PRIVATE PUBLIC PARTNERSHIPS																																						
	Council has not entered into any private public partnerships during the financial year 2007/2008.																																						
50	COMPARISON WITH THE BUDGET																																						
	The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".																																						
51	CONTINGENT LIABILITY																																						
	Claims against Council	2,650,000	2,450,000																																				
	The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:																																						
	Demolition of trading structures and impounding of trading goods	250,000	250,000																																				
	Damages and claims made by external parties	2,400,000	2,100,000																																				
	Objections to the awarding of a tender (Attorneys unable to provide cost of litigation) - The tender under dispute amounts to R 782 759.	782,759	-																																				
	Public nuisance claim	-	100,000																																				
		<u>3,432,759</u>	<u>2,450,000</u>																																				
52	REALATED PARTIES																																						
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.																																						
52.1	Related Party Transactions																																						
	<table><tr><th></th><th>Rates</th><th>Service Charges</th><th>Other</th><th>Outstanding balances</th></tr><tr><td>Year ended 30 June 2008</td><td></td><td></td><td></td><td></td></tr><tr><td>Councillors</td><td>20,021</td><td>53,561</td><td>-</td><td>13,130</td></tr><tr><td>Municipal Manager and Section 57 Personnel</td><td>4,320</td><td>33,578</td><td>24,493</td><td>2,133</td></tr><tr><td>Year ended 30 June 2007</td><td></td><td></td><td></td><td></td></tr><tr><td>Councillors</td><td>18,375</td><td>40,851</td><td>328</td><td>7,015</td></tr><tr><td>Municipal Manager and Section 57 Personnel</td><td>17,900</td><td>47,803</td><td>75,590</td><td>3,735</td></tr></table>		Rates	Service Charges	Other	Outstanding balances	Year ended 30 June 2008					Councillors	20,021	53,561	-	13,130	Municipal Manager and Section 57 Personnel	4,320	33,578	24,493	2,133	Year ended 30 June 2007					Councillors	18,375	40,851	328	7,015	Municipal Manager and Section 57 Personnel	17,900	47,803	75,590	3,735			
	Rates	Service Charges	Other	Outstanding balances																																			
Year ended 30 June 2008																																							
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Municipal Manager and Section 57 Personnel	17,900	47,803	75,590	3,735																																			
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.																																						
52.2	Related Party Loans																																						
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 17 to the Annual Financial Statements.																																						
52.3	Compensation of key management personnel																																						
	The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.																																						
52.4	Other related party transactions																																						
	The following purchases were made during the year where Councillors or staff have an interest:																																						
	Councillor/Staff member:	Entity:																																					
	Mr. B. Blaauw (Manager - LED)	Simunye Institute for Visionary	13,000																																				
	Mr. R. Bouwer (Stores Clerk)	J.C.O Terblanche (Dis/Reconnection of Electricity)	165,601																																				
	Mr. A. Finn (Member Executive Committee)	Head to Head Trading cc CK. No. 99/57735/23	13,028																																				
	Mr. A. Finn (Member Executive Committee)	Global Wave Internet Marketing (Pty)	42,974																																				
			72,030																																				
53	Exemptions taken according to those gazetted in Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2)b																																						
	• Segment Reporting (AC115) Entire Standard • Operating Segments (AC146) Entire Standard • Construction Contracts (AC109) Entire Standard • Business Combinations (AC140) Entire Standard • Accounting for Government Grants and Disclosure of Government Assistance (AC134) Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.																																						
54	Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP).																																						
	The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of transitional provisions and implement GRAP at an earlier date in order to ensure more reliant financial reporting. The implementation plan for full compliance with the requirements of GRAP is listed in Appendix G.																																						

APPENDIX A
KNYSNA MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Original Loan Amount	Rate	Redeemable	Balance at 30/06/07	Received during the period	Redeemed written off during the period	Balance at 30/06/08	Cost Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
				R	R	R	R	R	R
LOCAL REGISTERED STOCK									
Brand Vorster Family Trust	429,553	19.00%	28/02/2007	9,553	-	-	9,553	429,553	-
Tswane City Council	3,023,957	16.25%	31/12/2008	3,023,957	-	-	3,023,957	3,023,957	-
Tswane City Council	2,322,482	16.35%	31/12/2013	2,322,482	-	-	2,322,482	2,322,482	-
Tswane City Council	710,520	16.45%	31/12/2018	710,520	-	-	710,520	710,520	-
Total long-term loans	6,486,512			6,066,512	-	-	6,066,512	6,486,512	-
ANNUITY LOANS									
ABSA	3,231,818	12.00%	04/02/2008	794,758	-	794,758	-	3,231,818	-
ABSA	4,007,546	12.00%	01/10/2008	1,419,895	-	917,531	502,364	4,007,546	-
ABSA	15,000,000	11.98%	30/06/2028	-	15,000,000	-	15,000,000	15,000,000	-
DBSA	11,339,800	11.60%	30/06/2021	8,355,642	-	596,832	7,758,811	11,339,800	-
DBSA	5,077,667	11.97%	30/06/2022	4,008,684	-	267,246	3,741,439	5,077,667	-
DBSA	1,194,900	11.97%	30/06/2012	663,833	-	132,767	531,067	1,194,900	-
DBSA	6,898,760	12.05%	30/06/2023	5,809,482	-	363,093	5,446,389	6,898,760	-
DBSA	1,965,640	12.05%	30/06/2013	1,310,427	-	218,404	1,092,022	1,965,640	-
DBSA	8,594,807	11.60%	30/06/2024	7,690,091	-	452,358	7,237,732	8,594,807	-
DBSA	1,911,374	11.60%	30/06/2019	1,638,320	-	136,527	1,501,794	1,911,374	-
DBSA	1,452,650	11.60%	30/06/2014	1,129,839	-	161,406	968,433	1,452,650	-
DBSA	9,380,257	10.70%	31/12/2025	9,133,408	-	493,698	8,639,710	9,380,257	-
DBSA	1,500,330	10.70%	31/12/2020	1,446,747	-	107,166	1,339,581	1,500,330	-
DBSA	1,979,824	10.70%	31/12/2015	1,869,834	19,349	222,257	1,666,926	1,979,824	-
DBSA	2,024,531	10.70%	31/12/2010	1,771,464	88,506	531,420	1,328,550	2,024,531	-
DBSA	34,437,967	13.75%	30/06/2015	29,345,797	-	2,190,317	27,155,480	34,437,967	-
DBSA	5,386,431	11.25%	30/06/2026	5,141,382	1,241,250	335,928	6,046,703	5,386,431	-
DBSA	1,741,830	11.29%	30/06/2021	1,631,500	78,312	122,129	1,587,682	1,741,830	-
DBSA	2,393,924	11.25%	30/06/2016	2,175,132	-	241,681	1,933,451	2,393,924	-
Eden District Municipality	835,000	8.00%	30/06/2008	81,955	-	81,956	-	835,000	-
Eden District Municipality	504,000	0.00%	30/06/2013	176,400	-	25,200	151,200	504,000	-
INCA	2,500,000	16.83%	30/06/2008	465,629	-	465,629	-	2,500,000	-
INCA	187,811	12.00%	30/06/2008	30,859	-	30,859	-	187,811	-
INCA	37,907	12.00%	30/06/2008	6,229	-	6,229	-	37,907	-
INCA	2,561,506	10.77%	23/06/2011	2,129,506	-	472,000	1,657,506	2,561,506	-
INCA	18,607,000	10.81%	15/02/2027	18,607,000	-	257,900	18,349,100	18,607,000	-
INCA	8,390,000	10.87%	31/12/2012	-	8,390,000	608,991	7,781,009	8,390,000	-
INCA	2,600,000	11.25%	23/05/2018	-	2,600,000	-	2,600,000	2,600,000	-
Total annuity loans	155,743,278			106,833,812	27,417,417	10,234,281	124,016,948	153,143,278	-
LEASE LIABILITY									
Finance Leases	2,886,000	11,72%-12,07%	2009	1,839,963	-	547,868	1,292,095	2,886,000	-
Total Lease Liabilities	2,886,000			1,839,963	-	547,868	1,292,095	2,886,000	-
TOTAL EXTERNAL LOANS	165,115,790			114,740,287	27,417,417	10,782,149	131,375,555	162,515,790	-

Finance leases have been restated - Note 3

APPENDIX B
KNYSNA MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

KNYSNA MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008													
Description		Cost / Revaluation					Accumulated Depreciation					Carrying Value	
		Opening Balance	Transfers	Additions	Work in Progress	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Disposals		Closing Balance
Land and Buildings													
Workshops and Depots		2,063,887	-	-	-	-	2,063,887	943,363	(80,683)	66,563	-	929,243	1,134,644
Office Buildings	129	-	9,287,230	26,200	-	-	9,313,430	2,753	1,799,383	300,463	-	2,102,599	7,210,831
Housing Schemes	122	-	97,104,305	-	28,013,842	-	125,118,147	19,484	12,785,158	2,202,553	-	15,007,195	110,110,952
Buildings		875,441	(20,000)	-	12,150	-	867,591	572,973	(44,642)	25,000	-	553,331	314,261
Municipal Flats	147	-	26,804	-	-	-	26,804	2	12,508	893	-	13,403	13,401
Land	4000	16,011,412	616,925	-	-	-	16,628,337	-	-	-	-	-	16,628,337
PPE Buildings	4100	-	-	280,373	-	-	280,373	-	-	8,568	-	8,568	271,805
		18,950,740	107,015,264	306,573	28,025,992	-	154,298,569	1,538,574	14,471,724	2,604,040	-	18,614,338	135,684,231
Infrastructure													
Sewers		36,348,514	5,924	1,892,178	1,831,963	-	40,078,579	14,947,409	46,124	1,315,948	-	16,309,481	23,769,098
Sewerage Pumps	504	2,767,949	-	-	1,815,666	-	4,583,615	1,249,868	-	181,993	-	1,431,861	3,151,754
Electricity:													
Meters	306	5,481,554	-	-	-	-	5,481,554	1,818,026	-	274,039	-	2,092,065	3,389,489
Supply and Reticulation		76,165,914	-	7,283,738	8,400,489	-	91,850,142	25,612,095	2,364	3,181,561	-	28,796,020	63,054,122
Water:													
Meters	403	3,505,134	10,000	-	-	-	3,515,134	1,589,767	1,526	214,819	-	1,806,112	1,709,022
Reservoirs and Tanks	406	3,276,928	-	6,153	-	-	3,283,081	2,142,968	-	137,664	-	2,280,632	1,002,449
Supply and Reticulation		95,913,404	30,374	4,328,652	3,636,915	1,238,059	102,671,286	30,283,087	(299,276)	3,851,075	-	33,834,886	68,836,400
Lakes and Dams	402	-	774,837	-	1,548,689	-	2,323,526	20	288,347	27,572	-	315,939	2,007,587
Workshops and Depots	606	-	640,411	-	-	-	640,411	725	80,682	12,808	-	94,215	546,196
Roads		49,614,352	-	838,534	287,564	-	50,740,450	34,455,682	20,434	2,549,939	-	37,026,055	13,714,395
Bus Terminals	702	1,831,738	-	-	-	-	1,831,738	112,513	-	119,371	-	231,884	1,599,854
Paving	709	4,292,681	(121,243)	-	1,159,194	-	5,330,632	1,993,938	-	367,709	-	2,361,647	2,968,985
Pedestrian Footways	710	3,976,764	-	946,346	24,200	-	4,947,309	468,398	17,401	196,824	-	682,623	4,264,686
Stormwater & Drains		13,753,982	-	12,802	21,880	-	13,788,664	4,430,452	-	526,495	-	4,956,947	8,831,717
Street Lighting		3,580,277	-	15,848	-	-	3,596,125	689,866	-	144,487	-	834,353	2,761,772
Taxi Ranks	715	3,205,875	-	-	-	-	3,205,875	118,449	157,693	213,725	-	489,867	2,716,008
Traffic Signs & Lights		376,804	135,182	-	-	-	511,986	300,929	133,033	18,092	-	452,054	59,932
Car Parks	718	751,897	-	-	-	-	751,897	490,056	-	27,511	-	517,567	234,330
Floodlighting	803	-	440,965	-	-	-	440,965	72	218,169	22,048	-	240,289	200,676
Security Measures:													
Fencing	1102	1,269,259	-	17,568	-	-	1,286,827	496,457	70,589	322,020	-	889,066	397,761
Security Systems		145,295	47,297	14,902	-	-	207,494	129,062	42,566	12,911	-	184,539	22,955
Retaining walls	1505	687,089	-	-	6,800	-	693,889	67,504	-	9,981	-	77,485	616,404
		306,945,410	1,963,747	15,356,721	18,733,360	1,238,059	341,761,180	121,397,345	779,652	13,728,592	-	135,905,589	205,855,591
Community Assets													
Other Facilities:													
Ablution Blocks	102	1,262,573	-	107,800	9,269	-	1,379,642	421,411	(28,001)	42,176	-	435,586	944,056
Clinics	113	730,202	-	-	-	-	730,202	291,738	-	23,978	-	315,716	414,486
Fire Stations	117	596,951	-	-	329,506	-	926,457	237,951	-	17,315	-	255,266	671,190
Floodlighting		428,897	(428,897)	-	-	-	-	213,976	(213,976)	-	-	-	-
Lakes and dams		774,838	(774,838)	-	-	-	-	288,347	(288,347)	-	-	-	-
Libraries	124	1,947,853	-	-	-	-	1,947,853	727,129	3,306	64,928	-	795,363	1,152,490
Public Conveniences/Bathrooms	143	2,920,781	-	56,277	-	-	2,977,058	404,701	11,481	96,412	-	512,594	2,464,464
Town Halls	144	4,346,255	121,243	-	-	-	4,467,498	646,845	-	143,344	-	790,189	3,677,309
In- & outdoor Sports Facilities		6,743,971	(10,750)	-	-	-	6,733,221	2,055,487	4,433	314,721	-	2,374,641	4,358,580
Cemeteries		187,149	-	-	-	-	187,149	34,341	-	6,221	-	40,562	146,587
Pounds	149	7,557	-	-	-	-	7,557	791	-	252	-	1,043	6,514
Nurseries	808	12,558	-	-	-	-	12,558	5,860	-	419	-	6,279	6,279
Swimming Pools	911	194,520	-	-	-	-	194,520	177,461	-	8,540	-	186,001	8,519
Parks		1,024,818	5,239	111,778	-	-	1,141,835	463,301	1,010	52,062	-	516,373	625,462
Slipways	916	1,451,126	-	-	-	-	1,451,126	219,183	-	72,556	-	291,739	1,159,387
Community Centres	922	268,086	-	171,188	9,627	-	448,901	-	-	12,408	-	12,408	436,493
Office buildings		9,287,230	(9,287,230)	-	-	-	-	1,768,463	(1,768,463)	-	-	-	-
Security Systems	1101	-	21,867	-	-	-	21,867	-	15,759	2,503	-	18,262	3,605
		32,185,365	(10,353,366)	447,043	348,402	-	22,627,444	7,956,985	(2,262,798)	857,835	-	6,552,022	16,075,421

APPENDIX B
KNYSNA MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

KNYSNA MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008														
Description		Cost / Revaluation						Accumulated Depreciation					Carrying Value	
		Opening Balance	Transfers	Additions	Work in Progress	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Disposals	Closing Balance		
Heritage Assets														
Art	1219	10,305	-	-	-	-	10,305	-	-	-	-	-	10,305	
Museums	127	397,264	-	-	-	-	397,264	148,399	-	-	-	148,399	248,865	
Books	1220		241,625	-	-	-	241,625	-	-	-	-	-	241,625	
		407,569	241,625	-	-	-	649,194	148,399	-	-	-	148,399	500,795	
Other Assets														
<i>Bins and Containers:</i>													-	-
Bulk Containers	604	397,578	-	-	-	-	397,578	178,427	-	71,261	-	249,688	147,890	
<i>Other Assets:</i>													-	-
Tip Sites	605	789,058	-	6,254	-	-	795,313	312,168	-	35,118	-	347,286	448,027	
In- & outdoor Sports Facilities	920	13,890	10,750	17,800	-	-	42,440	13,890	8,834	2,564	-	25,288	17,152	
Other Plant and Equipment		9,111,499	-	2,272,051	-	246,368	11,137,182	7,204,873	-	1,011,322	232,368	7,983,827	3,153,355	
Community assets - Control list items		27,106	(27,106)	-	-	-	-	16,772	(16,772)	-	-	-	-	
Infrastructure assets - Control list items		240,845	(240,845)	-	-	-	-	196,706	(196,706)	-	-	-	-	
Laboratory Equipment	1413	47,073	-	9,700	-	-	56,773	21,793	-	8,343	-	30,136	26,637	
<i>Office Equipment:</i>													-	-
Air Conditioners	1201	416,123	-	105,848	-	-	521,971	179,398	-	64,927	-	244,325	277,646	
Computer Hardware	1202	6,674,630	-	1,117,435	-	373,299	7,418,766	4,576,255	-	903,808	361,155	5,118,908	2,299,858	
Computer Software	1203	1,446,761	(1,504,560)	57,799	-	-	-	1,073,924	(1,226,533)	152,609	-	-	-	
Office Machines	1205	828,465	-	78,034	-	25,460	881,038	661,506	-	61,817	25,451	697,872	183,167	
<i>Furniture and Fittings:</i>													-	-
Cabinets and Cupboards	1204	3,585,889	-	289,209	-	24,609	3,850,489	2,681,192	-	321,107	24,048	2,978,251	872,238	
Other Furniture	1212	668,719	(241,625)	-	-	-	427,094	166,359	-	9,195	-	175,554	251,540	
<i>Motor Vehicles:</i>													-	-
Fire Engines	1303	1,414,465	-	501,883	-	38,500	1,877,848	504,445	-	77,873	38,499	543,819	1,334,029	
Trucks and LDV		15,017,838	-	3,309,376	-	723,861	17,603,353	8,862,323	-	1,650,820	659,023	9,854,120	7,749,233	
Motor Cycles	1305	390,334	-	65,526	-	31,414	424,446	334,112	-	55,020	10,178	378,954	45,492	
Motor Cars		1,121,821	-	258,162	-	139,109	1,240,874	616,121	-	139,286	139,107	616,301	624,573	
Tractors	1425	1,581,042	-	200,600	-	-	1,781,642	881,001	-	115,707	-	996,708	784,934	
<i>Emergency Equipment:</i>													-	-
Equipment: Fire	1410	10,226	-	31,563	-	-	41,789	8,990	-	5,849	-	14,839	26,950	
<i>Plant and Equipment:</i>													-	-
Graders		1,891,268	-	-	-	54,097	1,837,171	538,806	-	126,733	54,095	611,444	1,225,727	
Lawnmowers	1415	118,143	-	41,803	-	3,371	156,575	118,057	-	15,993	3,370	130,680	25,895	
Radio Equipment	1421	579,743	-	39,496	-	53,812	565,426	431,953	-	66,450	48,221	450,182	115,244	
Trailers	1426	1,429,672	-	-	-	-	1,429,672	949,445	-	102,199	-	1,051,644	378,028	
		47,802,186	(2,003,385)	8,402,539	-	1,713,901	52,487,440	30,528,516	(1,431,176)	4,998,001	1,595,515	32,499,826	19,987,614	
Leased assets														
Office Machines Leases		2,886,000	-	-	-	-	2,886,000	1,332,841	-	610,383	-	1,943,224	942,776	
		2,886,000	-	-	-	-	2,886,000	1,332,841	-	610,383	-	1,943,224	942,776	
Housing														
		97,104,305	(97,104,305)	-	-	-	-	12,771,436	(12,771,436)	-	-	-	-	
		506,281,575	(240,420)	24,512,877	47,107,754	2,951,960	574,709,826	175,674,096	(1,214,034)	22,798,851	1,595,515	195,663,398	379,046,428	

APPENDIX C

KNYSNA MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTY AS AT 30 JUNE 2008

Description	Dept Number	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
		Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive and Council		2,460,617	201,039	-	133,812	2,527,844	1,344,870	318,104	129,447	1,533,527	994,317
Finance and Administration		35,362,619	2,265,626	186,576	374,448	37,440,373	13,239,658	2,691,590	348,301	15,582,947	21,857,426
Planning and Development		172,448	20,811	-	5,627	187,632	116,044	24,274	5,098	135,220	52,412
Health		855,832	-	-	-	855,832	371,858	37,380	-	409,238	446,594
Community and Social Services		4,771,059	96,134	-	29,515	4,837,678	2,371,510	221,339	29,077	2,563,772	2,273,906
Housing		115,477,850	1,802,034	28,004,015	50,591	145,233,308	14,386,534	2,658,485	47,249	16,997,770	128,235,538
Public Safety		7,356,504	1,497,468	339,332	307,715	8,885,589	4,222,918	594,058	240,249	4,576,727	4,308,862
Sport and Recreation		13,117,645	513,453	12,150	112,367	13,530,880	5,687,644	823,998	100,883	6,410,759	7,120,121
Waste Management		6,668,975	1,606,343	-	1,934	8,273,384	2,881,495	753,800	1,300	3,633,995	4,639,389
Roads and Transport		72,236,821	2,788,716	1,303,279	345,571	75,983,246	43,066,847	4,133,782	342,866	46,857,763	29,125,482
Water		105,807,087	4,708,507	5,185,604	1,272,970	114,428,228	35,473,683	4,513,858	34,907	39,952,634	74,475,594
Electricity		85,138,331	6,177,002	8,400,489	214,780	99,501,042	30,707,357	3,622,548	214,758	34,115,147	65,385,895
Waste Water Management		58,961,201	2,988,344	3,676,309	102,629	65,523,225	22,302,723	2,540,512	101,379	24,741,856	40,781,369
		508,386,990	24,665,476	47,107,754	2,951,959	577,208,261	176,173,143	22,933,728	1,595,514	197,511,357	379,696,904

APPENDIX D
KNYSNA MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008
MUNICIPAL VOTES CLASSIFICATION

2007 Actual Income	2007 Actual Expenditure	2007 Surplus/ (Deficit)	Description	2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)
R	R	R		R	R	R
2,406,100	(44,307,225)	(41,901,125)	Executive and Council	2,300,852	20,141,073	(17,840,221)
1,991,496	(7,829,958)	(5,838,462)	Corporate Services	1,923,379	7,101,004	(5,177,625)
279,096	(3,752,083)	(3,472,987)	Strategic Services	615,011	4,683,086	(4,068,074)
62,574,274	(18,337,412)	44,236,862	Financial Services	68,406,923	5,245,145	63,161,778
41,581,653	(60,839,685)	(19,258,032)	Community Services	71,820,505	89,446,400	(17,625,895)
2,916,659	(4,319,755)	(1,403,096)	Planning & Building Services			-
80,217,469	(61,095,553)	19,121,915	Electrical Services	80,855,972	71,060,964	9,795,008
79,430,843	(76,526,321)	2,904,522	Technical Services	68,389,606	83,821,013	(15,431,407)
271,397,590	(277,007,992)	(5,610,402)	Sub-Total	294,312,248	281,498,685	12,813,564
-	-	-	Less: Inter-departemental Charges	-	-	-
271,397,590	(277,007,992)	(5,610,402)	Total	294,312,248	281,498,685	12,813,564

APPENDIX D1
KNYSNA MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008
GENERAL FINANCE STATISTICS CLASSIFICATION

2007 Actual Income	2007 Actual Expenditure	2007 Surplus/ (Deficit)	Description	2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)
R	R	R		R	R	R
8,771,380	50,040,877	(41,269,497)	Executive & Council	2,300,852	20,141,073	(17,840,221)
64,097,131	32,247,482	31,849,649	Finance & Admin	71,741,530	22,442,736	49,298,794
2,916,659	4,319,755	(1,403,096)	Planning & Development	2,623,132	4,221,495	(1,598,363)
33,463	2,311,890	(2,278,427)	Health	47,944	2,861,999	(2,814,055)
415,337	6,428,196	(6,012,859)	Community & Social Services	642,824	6,549,068	(5,906,245)
20,763,717	18,649,120	2,114,597	Housing	47,588,232	34,724,242	12,863,990
1,799,656	11,028,839	(9,229,183)	Public Safety	1,779,939	12,931,048	(11,151,109)
1,181,319	10,856,170	(9,674,850)	Sport & Recreation	903,469	10,934,723	(10,031,254)
-	-	-	Environmental Protection	-	-	-
15,007,780	19,175,384	(4,167,604)	Waste Management	16,486,952	17,438,470	(951,518)
22,332,257	17,917,112	4,415,145	Waste Water Management	20,033,463	19,046,534	986,929
11,439,933	20,909,585	(9,469,651)	Road Transport	10,159,803	27,684,979	(17,525,177)
46,989,512	26,554,894	20,434,619	Water	39,264,941	31,346,139	7,918,802
75,649,444	56,568,689	19,080,755	Electricity	80,739,168	71,176,180	9,562,988
271,397,589	277,007,992	(5,610,402)	Sub-Total	294,312,248	281,498,685	12,813,564
-	-	-	Less: Inter-departemental Charges	-	-	-
271,397,589	277,007,992	(5,610,402)	Total	294,312,248	281,498,685	12,813,564

APPENDIX E(1)
KNYSNA MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

	<u>2008</u> <u>Actual (R)</u>	<u>2008</u> <u>Budget (R)</u>	<u>2008</u> <u>Variance (R)</u>	<u>2008</u> <u>Variance (%)</u>	<u>Explanation of Significant Variances</u> <u>greater than 10% versus Budget</u>
REVENUE					
Property rates	58,234,690	64,857,000	(6,622,310)	-10.21%	
Property rates - penalties imposed and collection charges	1,441,956	1,278,000	163,956	12.83%	The increased interest rates resulted in higher than budgeted income.
Other Non-Exchange revenue	1,702,735	409,640	1,293,095	315.67%	GRAP requires that the income received from unclaimed Hoarding Deposits (R1,1 million) be reflected in the operating account, previously taken directly to Other Income.
Service charges	128,293,165	138,768,000	(10,474,835)	-7.55%	
Rental of facilities and equipment	2,821,000	2,026,000	795,000	39.24%	Straight lining of leases as per GRAP requirements
Interest earned - external investments	6,226,301	4,647,000	1,579,301	33.99%	The increased interest rates resulted in higher than budgeted income.
Interest earned - outstanding debtors	3,404,140	3,221,000	183,140	5.69%	
Dividends received	-	-	-	0.00%	
Fines	1,575,417	1,791,000	(215,583)	-12.04%	Due to insufficient capacity experienced at the Magistrates court
Licences and permits	1,496,805	2,167,000	(670,195)	-30.93%	Budgeted income not realised, 2008/2009 budget estimated at a more reasonable amount of R1,5 million.
Income for agency services	1,717,498	1,751,000	(33,502)	-1.91%	
Government grants and subsidies	76,705,262	93,083,980	(16,378,718)	-17.60%	Income recognised once expenditure has been incurred
Other income	1,240,784	1,080,800	159,984	14.80%	Increased revenue received on penalty disconnection fees due to the stringent application of Councils Credit Control Policy and Procedures.
Donated/Contributed Property, Plant and Equipment	6,549,538	8,200,000	(1,650,462)	-20.13%	Income recognised once expenditure has been incurred
Third Party Payments	1,703,881	-	1,703,881	0.00%	GRAP requires that the income received from Insurance claims (R1.7 million) be reflected in the operating account, previously taken directly to Other Income
Stock Adjustments	35,098	-	35,098	0.00%	GRAP requires that the income received from Stock Adjustments be reflected in the operating account, previously taken directly to the accumulated surplus
Actuarial gains	45,153	-	45,153	0.00%	GRAP requirement not budgeted.
Unamortised discount - Interest	816,962	-	816,962	0.00%	GRAP requirement not budgeted.
Gains on disposal of property, plant and equipment	301,863	100,000	201,863	201.86%	GRAP requires that the income received from vehicle trade-ins be reflected in the operating account, previously taken directly to the accumulated surplus
Total Revenue	294,312,248	323,380,420	(29,068,172)	-8.99%	
EXPENDITURE					
Executive and Council	20,141,073	15,032,780	5,108,293	33.98%	GRAP requires that additional provision be made for post employment health care benefits, ex-gratia pension benefits and long service awards, amounting to R6.4 million
Corporate Services	7,101,004	6,791,950	309,054	4.55%	
Strategic Services	4,683,086	5,407,890	(724,804)	-13.40%	Under spent/Savings on Consultant Fees (R0.2 million) Youth Advisory Centre (R0.1 million) and Grant - Umsobomvu Youth Fund (R0.1 million)
Financial Services	5,245,156	4,532,590	712,566	15.72%	Additional valuation expenses
Community Services	89,446,400	84,757,260	4,689,140	5.53%	
Planning & Building Services	-	-	-	0.00%	
Electrical Services	71,060,964	71,373,570	(312,606)	-0.44%	
Technical Services	83,821,013	85,182,740	(1,361,727)	-1.60%	
Total Expenditure	281,498,696	273,078,780	8,419,916	3.08%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	12,813,553	50,301,640	(37,488,088)	-74.53%	

APPENDIX E(2)

KNYSNA MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008
Acquisition of Property, Plant and Equipment

	<u>2008 Actual</u>	<u>2008 Budget</u>	<u>2008 Variance</u>	<u>2008 Variance</u>	<u>Explanation of Significant Variances greater than 5% versus Budget</u>
	R	R	R	%	
Executive and Council	193,740	-	193,740	0.00%	Budgeted for in the Operating Budget (Loose Assets) R 258,000 resulting in a saving of R 64,000
Corporate Services	130,475	-	130,475	0.00%	Budgeted for in the Operating Budget (Loose Assets) R 30,000 difference transferred from maintenance costs and general expenses
Strategic Services	579,221	3,161,500	(2,582,279)	-81.68%	Community based programs incomplete unutilised funds to be rolled over to the 2008/2009 financial year
Financial Services	1,527,234	921,670	605,564	65.70%	Budgeted for in the Operating Budget (loose Assets) R 772,000 resulting in a saving of R 166,436
Community Services	34,453,897	35,718,800	(1,264,903)	-3.54%	
Electrical Services	14,585,090	19,972,000	(5,261,381)	-26.34%	Roll over projects Eastford Intake (R2,5 million), 10/15 MVA - 66/22kV Transformer (R1,0 million) and Densification of Knysna CBD (R0,6)
Technical Services	20,150,973	45,021,700	(24,870,727)	-55.24%	Roll over projects Karatara Raw Water Line (R6,5), Nekkies/ Oupad Intersection (R2,9) and Upgrade Main Sewer Pump Station (R0,9 million) Project on hold Bulk Water Supply Sedgefield (R13,3)
Total	71,620,629	104,795,670	(33,049,512)	-31.54%	

APPENDIX F

KNYSNA MUNICIPALITY: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance at 1 July 2007	Contributions during year	Interest on Investments	Operating expenditure during year Transferred to Revenue	Capital expenditure during year Transferred to Revenue	Transfers	Balance at 30 June 2008
	R	R		R	R		R
Dist Grant - Karatara Water Meters	-	(200,000)	-	-	-	-	(200,000)
Dist Grant - Priority Funding	765,051	(1,470,673)	-	-	944,044	-	238,422
Nat Grant - DWAF: Masibambane	(104,000)	(377,000)	-	252,107	-	-	(228,893)
Nat Grant - Equitable Share	-	(13,331,467)	-	13,331,467	-	-	-
Nat Grant - Integrated Electrification Program	(225,273)	(1,330,000)	-	-	1,555,273	-	-
Nat Grant - Local Governm Finance Management Grant	41,190	(500,000)	-	495,345	-	-	36,535
Nat Grant - Municipal Infrastructure Grant: Disaster Relief	(15,855,197)	-	-	399,530	3,337,668	-	(12,117,998)
Nat Grant - Municipal Infrastructure Grant	(302,720)	(8,632,042)	-	342,863	3,138,361	-	(5,453,539)
Nat Grant - Municipal System Improvements Grant	-	(150,000)	-	150,000	-	-	-
Prov Grant - Community Development Worker (Operat)	-	-	-	42,214	-	-	42,214
Prov Grant - Depot Library (Cultural Affairs)	(328)	-	-	-	-	-	(328)
Prov Grant - Electricity Masterplan (LocGov& Hsg)	-	(163,000)	-	142,983	-	-	(20,017)
Prov Grant - Emergency Housing Program (LocGov&Hsg)	-	(6,900,793)	(101,867)	2,166,236	-	-	(4,836,424)
Prov Grant - Housing Consumer Education	-	(36,800)	-	50,983	-	-	14,183
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	(9,089,451)	(35,489,819)	-	17,365,715	28,004,015	-	790,461
Prov Grant - Khayaletu River Project	(4,796)	-	-	-	-	-	(4,796)
Prov Grant - Library Services (Conditional Operat)	-	(220,448)	-	220,735	-	-	287
Prov Grant - Local Government Project Preparation	(62,000)	-	-	-	-	-	(62,000)
Prov Grant - Maintenance of Proclaimed Roads	-	(1,737,000)	-	3,487,330	-	-	1,750,330
Prov Grant - Non-Motorised Transport	-	(1,540,000)	-	-	1,044,457	-	(495,543)
Prov Grant - Public Transport Facility (Trans P/W)	(466,351)	-	-	-	-	-	(466,351)
Prov Grant - Spatial Development Framework	(84,427)	-	-	43,860	-	-	(40,567)
Other Grant - DBSA: Environmental Mngmt Initiative	65,097	(414,929)	-	-	-	-	(349,831)
Other Grant - UYF: Youth Advisory Centre	79,096	(120,000)	-	190,075	-	-	149,171
	-	-	-	-	-	-	-
Balance of conditional grants and receipts - End of year	(25,244,109)	(72,613,970)	(101,867)	38,681,443	38,023,819	-	(21,254,684)
Unspent conditional grants and receipts - beginning of year	(26,194,543)						(24,276,287)
Unpaid conditional grants and receipts - beginning of year	950,434						3,021,603
	(25,244,109)						(21,254,684)
No grants have been withheld.							

APPENDIX G
Implementation plan to comply with the requirements of General Recognised Accounting

Name of municipality:	Knysna Municipality	Financial period:	30-Jun-08
Capacity category:	Medium Capacity		
Financial reporting standard	Milestones to be achieved to comply with the standard [include the key challenges that have to be overcome]	Person responsible	Estimate date of compliance [must begin after exemption period and take the transitional provisions of the standards into account]
Presentation of financial statements (GRAP 1)	- Preparation of GRAP compliant financial statements. - Challenges as listed below.	CFO	AFS 30 June 2008
Cash flow statements (GRAP 2)	- Obtain a thorough understanding of the format of the cash flow statement. - No challenges to overcome.	CFO	AFS 30 June 2008
Accounting policies, changes in accounting estimates and (GRAP 3)	- An accounting policy has been prepared - The municipality has appointed external specialists to assist with the implementation of GRAP and to capacitate the preparers of the financial statements with the disclosure requirements of GRAP 3. - The municipality will have to investigate what the potential impact of Standards approved but not yet effective may be on the annual financial statements.	CFO	AFS 30 June 2008 (excluding par 14,19 and 39-31) Par 14, 19 and 30-31 will be implemented on 1 July 2009.
The Effects of Changes in Foreign Exchange Rates (GRAP 4)	The municipality is not involved in any foreign currency transactions.	CFO	AFS 30 June 2008
Consolidated and Separate Financial Statements (GRAP 6)	The municipality has established through a review that it does not have any entities in which it has a controlling interest.	CFO	Completed
Investments in Associates (GRAP 7)	The municipality has established through a review that it does not have any entities over which it has	CFO	Completed
Interests in Joint Ventures (GRAP 8)	The municipality has established through a review that it is not involved in any public private partnerships which may constitute a joint venture.	CFO	Completed
Revenue from Exchange Transactions (GRAP 9)	- The municipality will review all revenue sources in order to establish compliance with this Standard. - External specialists have been appointed to assist with the review. - The potential impact of paragraph 12 and SAICA Circular 09/06 will have to be assessed.	CFO	30 June 2008 (except paragraph 12 of GAMAP 9 and SAICA Circular 09/06.) Rest of the Standard, 30 June 2009
Construction Contracts (GRAP 11)	The municipality will review the Standard in order to understand what constitutes a construction contract as defined by the Standard.	CFO	30-Jun-09
Inventories (GRAP 12)	- The municipality will review the Standard in order to understand its requirements. - The municipality's costing systems will be reviewed in order to establish if its current reporting capability is sufficient to comply with the requirements of the - Any adjustments required to the costing system will	CFO	30 June 2008 for Consumable Stores and water. Land held for sale to be identified in 2008/2009 30 June 2009 for all other
Leases (GRAP 13)	- The municipality is currently in the process of reviewing all its operating lease agreements in order to establish if some of these should be classified as finance - The municipality must ensure that all assets financed through finance leases are included in the fixed asset - The municipality must review all its lease agreements in order to establish if any of these payments should be "smoothed" as per the Standard.	CFO	30-Jun-08 30-Jun-08 30-Jun-08
Events after the Reporting (GRAP 14)	The preparers of the financial statements will have discussions with senior officials and its lawyers in order to determine if any events after reporting date has	CFO	30-Jun-08
Investment Property (GRAP 16)	- The municipality will review the Standard in order to fully understand what constitutes an investment - All investment property must be identified.	CFO	30-Jun-08

APPENDIX G
Implementation plan to comply with the requirements of General Recognised Accounting

Name of municipality:	Knysna Municipality	Financial period:	30-Jun-08
Capacity category:	Medium Capacity		
Financial reporting standard	Milestones to be achieved to comply with the standard [include the key challenges that have to be overcome]	Person responsible	Estimate date of compliance [must begin after exemption period and take the transitional provisions of the standards into account]
Property, Plant and Equipment (GRAP 17)	- The municipality has performed a physical verification of its PPE and prepared a fixed asset register. - An accounting policy regarding the PPE should be reviewed and approved. - Infrastructure assets should be identified and valued by engineers. In process of completion. - Review of useful life of item of PPE recognised in the annual financial statements. - Review of the depreciation method applied to PPE recognised in the annual financial statements. - Impairment of non-cash generating assets. The municipality requires capacity building in order to understand how impairment tests are performed. - Impairment of cash generating assets. The municipality requires capacity building in order to understand how impairment tests are performed.	CFO	Completed 30-Jun-08 30-Jun-09 30-Jun-09 30-Jun-09 30-Jun-09 30-Jun-09
Provisions, Contingent Liabilities and Contingent (GRAP 19)	The municipality has appointed external specialists to assist with the identification of potential provisions, liabilities and contingent assets. Completed.	CFO	30-Jun-08
Non-current Assets held for Sale and Discontinued Operations (GRAP 100)	The municipality implemented this standard.	CFO	30-Jun-08
Agriculture (GRAP 101)	The municipality has established through a review that it does not have any transactions or perform any activities which can be classified as agriculture.	CFO	Completed
Intangible assets (GRAP 102)	- The municipality has appointed external specialists to assist with the identification of potential intangible - The asset register needs to be adjusted in order capture all intangible assets. - An accounting policy needs to be drafted for the treatment of intangible assets.	CFO	30 June 2008 for computer software. 30 June 2009 for all other intangible assets.
Financial Instruments: Disclosures (IFRS 7/AC 144)	Implemented.	CFO	30-Jun-08
Income Taxes (IAS 12/AC 102)	Not applicable to this municipality.		
Employee benefits - (IAS 19/AC 116)	Implemented.	CFO	30-Jun-08
Accounting for Government Grants and Disclosure of Government Assistance (IAS 20/AC 134)	The municipality needs training and clarification on the impact and requirements of this Standard, especially with due regards to the effect of GRAP 23 on it.	CFO	30-Jun-09
Financial Instruments: Presentation (IAS 32/AC 125)	Implemented.	CFO	30-Jun-08
Impairment of Cash-generating Assets (IAS 36/AC 128)	The municipality needs training and clarification on the impact and requirements of this Standard.	CFO	30-Jun-09
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Implemented.	CFO	30-Jun-08
Impairment of non-cash-generating Assets (IPSAS 21)	The municipality needs training and clarification on the impact and requirements of this Standard.	CFO	30-Jun-09